

**LAURENTIDE INSURANCE AGENCY LIMITED
2017 AUDITED FINANCIAL STATEMENTS**



Independent auditors' report

To the Shareholder of Laurentide Insurance Agency Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Laurentide Insurance Agency Limited (the Company) as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2017;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Other Matters

The financial statements of the Company for the year ended December 31, 2016 were audited by another firm of auditors whose report dated April 26, 2017, expressed an unmodified opinion on those statements.

As part of our audit of the December 31, 2017 financial statements, we also audited the adjustments described in Note 6 that were applied to amend the December 31, 2016 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the December 31, 2016 financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the December 31, 2016 financial statements taken as a whole.

This report, including the opinion, has been prepared for and only for the Company in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers
Chartered Accountants
Nassau, Bahamas

May 24, 2018

LAURENTIDE INSURANCE AGENCY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017
(Expressed in Bahamian dollars)

	2017	2016
	\$	\$
ASSETS		
Cash and deposit with Parent (Notes 3 and 4)	114,600	114,201
Due from Parent (Notes 3 and 4)	2,604,316	2,420,671
Other assets	1,131	1,131
	<u> </u>	<u> </u>
Total	<u>2,720,047</u>	<u>2,536,003</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Other liabilities (Note 3)	9,000	6,000
	<u> </u>	<u> </u>
Total liabilities	<u>9,000</u>	<u>6,000</u>
EQUITY		
Share capital		
Authorized, issued and fully paid:		
5,000 shares at \$1.00 each	5,000	5,000
Share premium	5,000	5,000
Retained earnings	2,701,047	2,520,003
	<u> </u>	<u> </u>
Total equity	<u>2,711,047</u>	<u>2,530,003</u>
	<u> </u>	<u> </u>
Total	<u>2,720,047</u>	<u>2,536,003</u>

These financial statements were approved by the Board of Directors on February 20, 2018 and are signed on its behalf by:



Director



Director

The accompanying notes are an integral part of these financial statements.

LAURENTIDE INSURANCE AGENCY LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017
(Expressed in Bahamian dollars)

	2017	2016
	\$	\$
INCOME		
Commissions (Note 4)	227,501	1,672,161
Interest income – Parent (Note 4)	131,659	87,148
	<u>359,160</u>	<u>1,759,309</u>
EXPENSES		
General and administrative		
Parent (Note 4)	113,750	836,061
Other	64,366	68,256
	<u>178,116</u>	<u>904,317</u>
TOTAL PROFIT AND COMPREHENSIVE INCOME	<u>181,044</u>	<u>854,992</u>
Weighted Average Number of Common Shares	<u>5,000</u>	<u>5,000</u>
Earnings per Share (Basic and Diluted)	<u>36.21</u>	<u>171.00</u>

The accompanying notes are an integral part of these financial statements.

LAURENTIDE INSURANCE AGENCY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017
(Expressed in Bahamian dollars)

	Share Capital \$	Share Premium \$	Retained Earnings \$	Total \$
Balance as at December 31, 2015	5,000	5,000	2,225,011	2,235,011
Total profit and comprehensive income	-	-	854,992	854,992
Dividends (\$112.00 per share)	-	-	(560,000)	(560,000)
Balance as at December 31, 2016	5,000	5,000	2,520,003	2,530,003
Total profit and comprehensive income	-	-	181,044	181,044
Balance as at December 31, 2017	5,000	5,000	2,701,047	2,711,047

The accompanying notes are an integral part of these financial statements.

LAURENTIDE INSURANCE AGENCY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Expressed in Bahamian dollars)

	2017	2016 Restated (Note 6)
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Total profit and comprehensive income	181,044	854,992
Adjustment for interest income	(131,659)	(87,148)
Interest received	131,659	87,148
Increase in due from Parent	(183,645)	(294,520)
Decrease in other assets	-	1
Increase in other liabilities	3,000	-
Net cash from operating activities	<u>399</u>	<u>560,473</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	-	(560,000)
Net cash used in financing activities	<u>-</u>	<u>(560,000)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	399	473
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>114,201</u>	<u>113,728</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>114,600</u>	<u>114,201</u>

The accompanying notes are an integral part of these financial statements.

LAURENTIDE INSURANCE AGENCY LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Expressed in Bahamian dollars)

1. General Information

Laurentide Insurance Agency Limited (the “Company”), is a wholly-owned subsidiary of Commonwealth Bank Limited (the “Parent”).

The Company was incorporated under the laws of The Commonwealth of The Bahamas on March 16, 2009. The Company is a Registered Insurance Agency. The Company commenced operations on July 1, 2009. The principal business of the Company is to sell credit life assurance in respect of borrowers from the Parent on behalf of a sister company, Laurentide Insurance and Mortgage Company Limited.

The registered office is located at GTC Corporate Services Limited, P.O. Box SS-5383, Nassau, The Bahamas.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company’s accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

Changes in assumptions may have an impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and the Company’s financial statements therefore present the financial position and the results fairly. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

Laurentide Insurance Agency Limited

Notes to Financial Statements

December 31, 2017

(Continued)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

New standards, amendments and interpretations adopted by the Company

Standards and amendments and interpretations to published standards that became effective for the Company's financial year beginning on January 1, 2017 were either not relevant or not significant to the Company's operations and accordingly did not have a material impact on the Company's accounting policies or financial statements.

New standards, amendments and interpretations not yet adopted by the Company

With the exception of IFRS 9 *Financial Instruments* (IFRS 9) and IFRS 15 *Revenue from Contracts with Customers* (IFRS 15), the application of new standards and amendments and interpretations to existing standards that have been published but are not yet effective are not expected to have a material impact on the Company's accounting policies or financial statements in the financial period of initial application.

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities, and replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39) that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three (3) primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income. The determination is made at initial recognition, and the basis of classification depends on the Company's business model for managing its financial assets and the contractual cash flow characteristics of the financial asset. In addition, IFRS 9 will require the impairment of financial assets to be calculated using an expected credit loss model that replaces the incurred loss impairment model required by IAS 39. At initial recognition of relevant financial assets, a provision for impairment of financial assets is required to be recognised based on expected losses due to credit default events that are possible within one (1) year. Financial assets are categorised into three (3) stages based on credit default factors and experiences, and provisions for impairment are recognised based on total expected losses in the event of an actual credit default. For financial liabilities, there were no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income for financial liabilities designated at fair value through profit or loss. While the Company has begun its assessment of the impact of adopting IFRS 9, the full impact of the change has not been determined. IFRS 9 is effective for financial periods beginning on or after January 1, 2018.

Laurentide Insurance Agency Limited

Notes to Financial Statements December 31, 2017 (Continued)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

New standards, amendments and interpretations not yet adopted by the Company (continued)

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with its customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard is effective for annual periods beginning on or after January 1, 2018, and replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts* and related interpretations. The Company is currently assessing the full impact of adopting IFRS 15.

(b) Recognition of income and expenses

Commission income is recognized on an accrual basis based on the date of sale of the insurance policy.

Interest income is accrued on a time spent basis by reference to the principal outstanding and at the effective interest rate applicable.

Other income and expenses are recognized on the accrual basis.

(c) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and unrestricted deposits with banks that have original maturities of three months or less.

(d) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Bahamian dollars, which is the Company's functional and presentation currency.

Laurentide Insurance Agency Limited

Notes to Financial Statements

December 31, 2017

(Continued)

2. Significant Accounting Policies (Continued)

(e) Financial assets

Financial assets are:

- i. Cash;
- ii. An equity instrument of another entity;
- iii. A contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions favourable to the Company;
- iv. A contract that will or may be settled in the Company's own equity instrument and is either a non-derivative for which the Company is or may be obliged to receive a variable number of the Company's own equity instruments, or a derivative that will or may be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments.

Financial assets are classified into the following categories: 'fair value through profit or loss' (FVTPL), 'Held-to-maturity', 'Available-for-sale' (AFS) and 'Loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets are classified as FVTPL where the financial asset is either held for trading or is designated as FVTPL. Financial assets classified as FVTPL are stated at fair value, with any resulting gain or loss recognized in the statement of profit or loss and other comprehensive income.

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments.

Held-to-maturity investments are recorded at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis. Investment income is recorded in interest income in the statement of profit or loss and other comprehensive income.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are non-derivative financial assets and are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Laurentide Insurance Agency Limited

Notes to Financial Statements

December 31, 2017

(Continued)

2. Significant Accounting Policies (Continued)

(e) Financial assets (continued)

AFS financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as a) FVTPL, b) Held-to-maturity or c) Loans and receivables. AFS assets are stated at fair value. Cost is used to approximate the fair value of AFS assets.

The Company considers that the carrying amounts of financial assets recorded at amortized cost, less any impairment allowance, in the financial statement approximate their fair values.

Regular-way purchases and sales of financial assets are recognized on the trade date—the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs, except financial assets carried at fair value through profit or loss where such costs are expensed as incurred.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(f) Impairment of financial assets

The Company assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

Laurentide Insurance Agency Limited

Notes to Financial Statements

December 31, 2017

(Continued)

2. Significant Accounting Policies (Continued)

(f) Impairment of financial assets (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of profit or loss and other comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of profit or loss and other comprehensive income. When a financial asset is uncollectible, it is written off against the related allowance account. Such financial assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Recoveries of amounts previously written off are recognized directly in the statement of profit or loss and other comprehensive income.

(g) Financial liabilities

Financial liabilities are any liabilities that are:

- i. Contractual obligations to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company;
- ii. Contracts that will or may be settled in the Company's own equity instruments and is either a non-derivative for which the Company is or may be obliged to deliver a variable number of its own equity instruments, or a derivative that will or may be settled either by exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments.

Financial liabilities are classified as either (a) FVTPL or (b) other financial liabilities.

Financial liabilities are classified as FVTPL where the financial liability is either held for trading or it is designated as FVTPL. Financial liabilities at FVTPL are stated at fair value with any resulting gain or loss recognized in the statement of profit or loss and other comprehensive income.

Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method with interest expense recognized on an effective yield basis.

Laurentide Insurance Agency Limited

Notes to Financial Statements

December 31, 2017

(Continued)

2. Significant Accounting Policies (Continued)

(g) Financial liabilities (continued)

The Company considers that the carrying amounts of financial liabilities recorded at amortized cost in the financial statements approximate their fair values.

(h) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

(i) Taxation

The Company is required to pay value added tax (VAT) at a rate of 7.5% on goods and services as prescribed by the Value Added Tax Act.

Under the laws of The Bahamas, there are no income taxes, capital gains or other corporate taxes imposed. The Company's operations do not subject it to taxation in any other jurisdiction.

(j) Corresponding figures

Where necessary, corresponding figures have been adjusted to conform with changes in presentation adopted in the current year.

Laurentide Insurance Agency Limited

Notes to Financial Statements December 31, 2017 (Continued)

3. Financial Instruments

The following table analyzes the carrying amounts of financial assets and financial liabilities as defined by IAS 39 *Financial Instruments: Recognition and Measurement*:

	2017				Total \$
	Held-to- -Maturity \$	Available- for-sale \$	Loans and Receivables \$	Other Financial Liabilities \$	
Financial Assets					
Cash and deposit with Parent	-	-	114,600	-	114,600
Due from Parent	-	-	2,604,316	-	2,604,316
Financial Liabilities					
Other liabilities	-	-	-	9,000	9,000
	2016				Total \$
	Held-to- -maturity \$	Available- for-sale \$	Loans and Receivables \$	Other Financial Liabilities \$	
Financial Assets					
Cash and deposit with Parent	-	-	114,201	-	114,201
Due from Parent	-	-	2,420,671	-	2,420,671
Financial Liabilities					
Other liabilities	-	-	-	6,000	6,000

Laurentide Insurance Agency Limited

Notes to Financial Statements

December 31, 2017

(Continued)

4. Related Party Transactions and Balances

Related parties include:

- i. key management personnel, including directors;
- ii. entities that have the ability to control or exercise significant influence over the Company in making financial or operational decisions; and
- iii. entities that are controlled, jointly controlled or significantly influenced by parties described in i) and ii).

During the year the Company received commissions of \$227,501 (2016: \$1,672,161) from its sister company for selling life assurance business.

The Company maintains a current account with the Parent. The account earns interest at 0.50%. Interest income was \$407 (2016: \$540).

The due from parent balance is unsecured, earns interest at the Bahamian prime rate 4.25% (2016: 4.75%) and is repayable on demand. Interest income was \$131,252 (2016: \$86,608).

The Company paid management fees for the year of \$113,750 (2016: \$836,061) to its Parent for undertaking its administrative activities.

5. Risk Management

Capital risk management

The Company manages its capital to ensure that it exceeds regulatory capital requirement of \$30,000 (2016: \$30,000) and will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Company's risk management structure promotes making sound business decisions by balancing risk and reward. It promotes revenue generating activities that are consistent with the Company's risk appetite and policies, and the maximization of shareholder's return.

The capital structure of the Company consists of equity attributable to the common equity holders of the Company, comprising issued capital, share premium and retained earnings. The Company's Board reviews the capital structure at least annually. The Company manages its capital structure through the payment of dividends, new share issues and capital contributions.

The Company's strategy for managing capital is unchanged from the prior year. During the year, the Company was in compliance with all externally imposed capital requirements.

Laurentide Insurance Agency Limited

Notes to Financial Statements December 31, 2017 (Continued)

5. Risk Management (Continued)

Credit risk

Credit risk arises from the potential failure of a counterparty to fulfill their contractual obligations to the Company. Due to the nature of its operations, the Company has significant credit risk with the Parent. At the end of both years, there were no indicators of impairment.

The Company is also exposed to credit risk from its cash at bank. The Company conducts its banking business with the Parent which is in good standing with the Central Bank of The Bahamas.

Maximum credit exposure at the end of the year approximates the carrying value of all financial assets (Note 3). There have been no changes in the policies and procedures for managing credit risk compared to the prior year.

Operational risk

Operational risk is the potential for loss resulting from inadequate or failed internal processes or systems, human error or external events not related to credit, market or liquidity risks. The Company manages this risk by maintaining a comprehensive system of internal control and internal audit, including organizational and procedural controls. The system of internal control includes written communication of the Company's policies and procedures governing corporate conduct and risk management; comprehensive business planning; effective segregation of duties; delegation of authority and personal accountability; careful selection and training of personnel and sound and conservative accounting policies, which are regularly updated. These controls and audits are designed to provide the Company with reasonable assurance that assets are safeguarded against unauthorized use or disposition, liabilities are recognized, and the Company is in compliance with all regulatory requirements.

Liquidity risk

Liquidity risk is the potential for loss if the Company is unable to meet financial commitments in a timely manner at reasonable prices as they fall due. Financial commitments include liabilities to policy holders, suppliers and investment commitments.

The Company manages liquidity and funding risk by ensuring that sufficient liquid assets and funding capacity are available to meet regulatory requirements and financial commitments, even in times of stress. The Board of Directors oversees the Company's liquidity and funding risk management framework.

There have been no changes in policies and procedures for managing liquidity risk compared to the prior year.

Laurentide Insurance Agency Limited

Notes to Financial Statements December 31, 2017 (Continued)

6. Prior Period Adjustments

In the prior year's financial statements, the due from Parent balance of \$2,420,671 was included in cash and cash equivalents and interest received of \$87,148 was included under investing activities in the statement of cash flows. The statement of cash flows has been restated to exclude the due from Parent amount from the cash and cash equivalents. Additionally, interest received from investing activities is now reflected in cash flows from operating activities.

Below are the financial statement line items affected by the change.

Statement of Cash Flows (Extract)

	December 31, 2016 As previously reported \$	Correction of error \$	December 31, 2016 Restated \$
Cash flows from operating activities			
Increase in due from Parent	-	(294,520)	(294,520)
Interest received	-	87,148	87,148
Net cash from (used in) operating activities	767,845	(207,372)	560,473
Cash flows from investing activities			
Interest received	<u>87,148</u>	<u>(87,148)</u>	<u>-</u>
Net increase in cash and cash equivalents	<u>294,993</u>	<u>(294,520)</u>	<u>473</u>
Cash and cash equivalents, beginning of year	<u>2,239,879</u>	<u>(2,126,151)</u>	<u>113,728</u>
Cash and cash equivalents, end of year	<u>2,534,872</u>	<u>(2,420,671)</u>	<u>114,201</u>