BF&M LIFE INSURANCE COMPANY LIMITED

(Incorporated in Bermuda)

Financial statements

31 December 2015

The management of BF&M Life Insurance Company Limited ("the Company") is responsible for the preparation of the financial statements contained in this report. These financial statements have been prepared in accordance with International Financial Reporting Standards.

Management has established and maintains a system of financial reporting and internal controls to provide reasonable assurance that transactions are properly authorised and recorded. These controls include the careful selection, training, and supervision of qualified employees, the establishment of well-defined responsibilities, and the communication of policies relating to good conduct and business practice. Internal controls are reviewed and evaluated by the Company's internal auditor function.

The Audit, Compliance, and Corporate Risk Management Committee, primarily composed of directors who are not officers or employees of the Company, reviews the financial statements on behalf of the Board of Directors before the statements are submitted to the shareholder.

The shareholder's independent auditors, PricewaterhouseCoopers Ltd. have audited the financial statements of the Company in accordance with International Standards on Auditing and have expressed their opinion in their report to the Company's shareholder. The auditors have unrestricted access to and meet periodically with the Audit, Compliance, and Corporate Risk Management Committee to review its findings regarding internal controls over the financial reporting process, auditing matters and reporting issues.

These financial statements have been authorised for issue by the Board of Directors on 7 April 2016. The Board of Directors has the power to amend these financial statements after issue, if required.

R. John Wight

R. John Wight, CPA, CA, CPCU
President and Chief Executive Officer

Michael White, FIA
Group Chief Financial Officer

pwc

April 27, 2016

Independent Auditor's Report

To the Shareholder of BF&M Life Insurance Company Limited

We have audited the accompanying financial statements of BF&M Life Insurance Company Limited, which comprise the statement of financial position as at December 31, 2015 and statement of income, statement of comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of BF&M Life Insurance Company Limited as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

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BF&M LIFE INSURANCE COMPANY LIMITED
Statement of financial position
As at 31 December 2015
(in thousands of Bermuda dollars)

	Notes	2015 $	Revised (See note 4) 2014 $
Assets			
Cash and cash equivalents	6	44,320	12,209
Available for sale investments	8	1,500	1,530
Investments	8	489,472	494,405
Insurance receivables and other assets	10	18,380	19,521
Amounts due from affiliates	23	4,735	18,533
Regulatory deposits	7	5,059	3,868
Property and equipment	11	424	479
Intangible assets	12	14,034	12,632
Total general fund assets		577,924	563,177
Segregated funds assets	13	631,059	628,874
Total assets		**1,208,983**	**1,192,051**
Liabilities			
Other liabilities	14	22,803	18,507
Amounts due to affiliates	23	11,756	4,910
Reinsurance liabilities	15	2,295	2,223
Retirement benefit obligation	16	2,938	3,043
Investment contract liabilities	17	286,424	281,544
Insurance contract liabilities	18	169,605	174,859
Total general fund liabilities		495,821	485,086
Segregated funds liabilities	13	631,059	628,874
Total liabilities		**1,126,880**	**1,113,960**
Equity			
Share capital	19	2,500	2,500
Contributed surplus		8,640	8,124
Accumulated other comprehensive loss	24	(2,765)	(2,875)
Retained earnings		73,728	70,342
Total shareholder's equity		82,103	78,091
Total equity		**82,103**	**78,091**
Total liabilities and equity		**1,208,983**	**1,192,051**

Approved by the Board of Directors

R John Wight
Director

Director
27th April 2016

April 27, 2016
Date

The accompanying notes are an integral part of these financial statements

BF&M LIFE INSURANCE COMPANY LIMITED
Statement of income
For the year ended 31 December 2015
(in thousands of Bermuda dollars)

	Notes	2015 $	Revised (See note 4) 2014 $
Income			
Gross premiums written		126,350	125,016
Reinsurance ceded		(8,179)	(6,995)
Net premiums written		118,171	118,021
Investment (loss) income	8	(3,671)	21,300
Commission and other income	20	7,976	6,740
Total income		**122,476**	**146,061**
Expenses			
Insurance contracts benefits and expenses	21	85,497	107,167
Investment contract expenses (benefits)		1,113	(2,967)
Participating policyholders' net (income) loss		(483)	542
Commission expense		3,267	5,137
Operating expenses	22	24,111	24,369
Amortisation expense		1,825	1,557
Interest on loans		-	834
Total benefits and expenses		**115,330**	**136,639**
Net income for the year		**7,146**	**9,422**

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

BF&M LIFE INSURANCE COMPANY LIMITED
Statement of comprehensive income
For the year ended 31 December 2015
(in thousands of Bermuda dollars)

	2015 $	Revised (See note 4) 2014 $
Net income for the year	7,146	9,422
Other comprehensive income (loss):		
Items that will not be reclassified to profit or loss		
Re-measurement of retirement benefit obligations	110	(1,338)
Total other comprehensive income (loss) for the year	110	(1,338)
Comprehensive income	7,256	8,084

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

BF&M LIFE INSURANCE COMPANY LIMITED
Statement of changes in shareholder's equity
For the year ended 31 December 2015
(in thousands of Bermuda dollars)

	2015 $	Revised (See note 4) 2014 $
Share capital		
Balance – beginning and end of year	2,500	2,500
Contributed surplus		
Balance – beginning of year	8,124	7,616
Stock issued under equity incentive plan	516	508
Balance – end of year	8,640	8,124
Accumulated other comprehensive loss		
Balance – beginning of year	(2,875)	(1,537)
Other comprehensive income (loss) for the year	110	(1,338)
Balance – end of year	(2,765)	(2,875)
Retained earnings		
Balance – beginning of year	70,342	64,680
Net income for the year	7,146	9,422
Dividends paid	(3,760)	(3,760)
Balance – end of year	73,728	70,342
Total shareholder's equity	**82,103**	**78,091**

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

BF&M LIFE INSURANCE COMPANY LIMITED
Statement of cash flows
For the year ended 31 December 2015
(in thousands of Bermuda dollars)

	2015 $	Revised (See note 4) 2014 $
Cash flows from operating activities		
Net income	7,146	9,422
Adjustments for:		
Investment income	(14,224)	(12,935)
Net realised gain on investments	(3,871)	(73)
Change in fair value of investments	11,545	(13,477)
Amortisation of bond premiums	1,104	1,169
Provision for losses on investments	6,615	2,164
Amortisation of property and equipment	167	157
Amortisation of intangible assets	1,658	1,400
Interest on loan	-	834
Compensation expense related to share grants	516	506
Changes in assets and liabilities		
Insurance receivables and other assets	2,493	726
Amounts due to/from affiliates	19,419	(1,004)
Insurance contract liabilities	(5,254)	15,262
Investment contract liabilities	4,880	1,478
Other liabilities	4,296	(1,646)
Reinsurance liabilities	72	1,978
Retirement benefit obligations	5	(97)
Restricted cash	(1,191)	(684)
Cash generated from operations	35,376	5,180
Interest paid	-	(834)
Interest received	12,620	11,996
Dividends received	136	324
Net cash generated from operating activities	48,132	16,666
Cash flows from investing activities		
Purchase of investments	(177,790)	(207,922)
Proceeds from sale of investments	167,476	184,228
Acquisition of property and equipment	(112)	(354)
Acquisition of intangible assets	(3,060)	(3,819)
Net cash used for investing activities	(13,486)	(27,867)
Cash flows from financing activities		
Cash dividends paid	(3,760)	(3,760)
Proceeds on issue of common shares (BIRSL)	-	3
Loan repayment from affiliate	1,225	1,760
Net cash used for financing activities	(2,535)	(1,997)
Increase (decrease) in cash and cash equivalents	32,111	(13,198)
Cash and cash equivalents – beginning of year	12,209	25,407
Cash and cash equivalents – end of year	**44,320**	**12,209**

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

1. NATURE OF THE COMPANY AND ITS BUSINESS

BF&M Life Insurance Company Limited (the "Company") was incorporated in Bermuda on 13 November 1990 and is a wholly-owned subsidiary of BF&M Limited ("BF&M"). The Company is registered as a Dual – Class D and Class 3B insurer under The Bermuda Insurance Act 1978, amendments thereto and related regulations ("the Act") and writes group and individual life, accident and health, pension and annuity business. The address of its registered office is 112 Pitts Bay Road, Pembroke, HM08, Bermuda.

The Company's principal business is insurance. It determines and charges a premium to policyholders which, taken as a pool with all other policyholders, is expected to cover underwriting costs and claims which may take a number of years to settle. The business risks of insurance reside in determining the premium, settlement of claims, and estimation of claim costs and management of investment funds. The Company is involved in life, health and long-term disability insurance, annuities and the management and investment of pension plans.

During 2015, a merger was undertaken between Bermuda International Reinsurance Services Limited and the Company where the Company was the surviving entity. Both entities were 100% owned by BF&M.

On 7 April 2016, the Board of Directors approved the financial statements and authorised them for issue. The Board of Directors has the power to amend the financial statements after issue.

2. SIGNIFICANT ACCOUNTING POLICIES

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

A. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued and adopted by the International Accounting Standards Board ("IASB").

B. Basis of preparation

i) Basis of measurement

The financial statements have been compiled on the going concern basis and prepared on the historical cost basis, as modified by the revaluation of: available-for-sale financial instruments and certain segregated fund assets & liabilities measured at fair value; retirement benefit obligations measured at present value; and financial assets and liabilities (including derivative instruments) at fair value through profit or loss. The statement of financial position is presented in order of liquidity.

ii) Critical estimates, judgments and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumptions made could require a material adjustment to the carrying amount of the asset or liability affected. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Key sources of estimation uncertainty and areas where significant judgments have been made are listed below and discussed throughout the notes to these financial statements including:

- The actuarial assumptions used in the valuation of insurance and investment contract liabilities under the Canadian Asset Liability Method ("CALM") require significant judgment and estimation. Key assumptions and considerations in choosing assumptions are discussed in Note 2K and sensitivities are discussed in Note 5B and 18.
- Management considers the synergies and future economic benefits to be realised in the initial recognition and measurement of intangibles assets as well as testing of recoverable amounts. The assessment of the carrying value of intangible assets relies upon the use of forecasts and future results. Refer to Note 2J and Note 12.
- The actuarial assumptions used in determining the liability and expense of the Company's retirement benefit obligations. Management reviews previous experience of its plan members and market conditions for the year. Refer to Note 16.
- Management uses independent qualified appraisal services to assist in determining the fair value of investment properties or properties providing collateral for mortgages. This fair value assessment requires judgments and estimates on future cash flows and general market conditions. Refer to Note 5B and 8.

C. Determination of fair value

Fair value is determined based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using the assumptions that market participants would use when pricing an asset or liability. When available, quoted market prices are used to determine fair value. If quoted market prices are not available, fair value is typically based on alternative valuation techniques such as discounted cash flows and other techniques. When observable valuation inputs are not available, significant judgment is required to determine fair value by assessing the valuation techniques and inputs. For bonds and fixed income securities, broker quotes are typically used when external public vendor prices are not available. Judgment is also applied in adjusting external observable data for items including liquidity and credit factors. A description of the fair value methodologies and assumptions by type of asset is included in Note 9.

D. Foreign currency translation

i) 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 entity operates (the "functional currency"). All amounts in the financial statements are in thousands of Bermuda dollars, which is the Company's presentation currency.

ii) Transactions and balances

Monetary assets and liabilities denominated in currencies other than the functional currency of the Company are translated into the functional currency using the rate of exchange prevailing at the statement of financial position's date. Income and expenses are translated at rates of exchange in effect on the transaction dates. Foreign exchange gains and losses are expensed on the statement of income.

Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets classified as available for sale are included in other comprehensive income.

E. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid financial assets with original maturities of three months or less, and bank overdrafts.

Restricted cash and cash equivalents consists of cash being held on account of various pension plans and cash held on account for dividends issued but not collected to satisfy regulatory requirements. These amounts are not available for use in the Company's daily operations and therefore are excluded in the statement of cash flows.

F. Regulatory deposit

Regulatory deposits are held with Regulators as a legal requirement in order to provide services in the respective territories.

G. Financial instruments

i) Financial assets

Classification, recognition and subsequent measurements of financial assets

The Company classifies its investments into the following categories: (a) financial assets at fair value through profit and loss ("FVTPL"), (b) loans and receivables, and (c) financial assets available for sale. Management determines the classification at initial recognition and is dependent on the nature of the assets and the purpose for which the assets were acquired.

a. FVTPL

A financial asset is classified at FVTPL if it is designated as such upon initial recognition or is classified as held-for-trading. A financial asset can be designated as FVTPL if it eliminates or significantly reduces an accounting mismatch. A financial asset is classified as held-for-trading if it is acquired mainly for the purpose of selling in the near term or traded for the purposes of earning investment income. Attributable transaction costs upon initial recognition are recognised in investment income on the statement of income as incurred. FVTPL assets are measured at fair value and changes in fair value as well as realised gains and losses on sales are recognised in investment income on the statement of income. Dividends earned on equities are recorded in investment income on the statement of income. Derivatives are also categorised as held-for-trading unless they are designated as hedges. The Company has not designated any derivatives as hedges.

b. Loans and receivables
Loans and receivables are all non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment loss. For purposes of this classification loans and receivables are comprised of mortgages and other loans. Realised gains or losses from the sale of loans and receivables are recorded in investment income in the statement of income.

c. Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are not classified in any of the previous categories. Such assets are recognised initially at fair value plus any directly attributable transaction cost. Equities are subsequently carried at fair value. Residential properties available-for-sale are subsequently carried at the lower of carrying value and the estimated fair value less costs to sell and other available for sale financial assets are carried at fair value. Gains and losses arising from changes in the fair value of the financial assets available for sale are included in the statement of comprehensive income in the period in which they arise. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the statement of income.

All other financial assets (including fixed income securities classified as loans and receivables) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Balances pending settlement as a result of sales and purchases are reflected on the statement of financial position as receivable for investments sold and payable for investments purchased.

De-recognition and offsetting
The Company derecognises a financial asset when it has transferred the rights to receive the contractual cash flows of the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred, which is normally the trade date.

Investment income
Dividends on equity instruments are recognised in the statement of income on the ex-dividend date. Interest income is recorded on the accrual basis, using the effective interest rate method, in investment income on the statement of income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

ii) Financial liabilities

Classification, recognition and subsequent measurement of financial liabilities

The Company has the following financial liabilities: (a) financial liabilities at FVTPL and (b) other financial liabilities. Management determines the classification at initial recognition.

a. FVTPL
The Company's financial liabilities at FVTPL relate to certain investment contract liabilities. Contracts recorded at FVTPL are measured at fair value at inception and each subsequent reporting period. Changes in fair value of investment contract liabilities are recorded in investment contract benefits on the statement of income.

b. Other financial liabilities
All remaining financial liabilities are classified as other financial liabilities. Such financial liabilities are initially recognised at fair value plus any directly attributable transaction costs. Included under other liabilities are accounts payable. Other liabilities are considered short-term payables with no stated interest and the carrying value of these financial liabilities approximates fair value at the reporting date.

Other liabilities (including liabilities designated at FVTPL) are recognised initially on the trade date at which the Company becomes a party to the contractual provision of the instrument.

H. Impairment of assets

i) Impairment of financial assets

The Company reviews the carrying value of its financial assets, except those classified as FVTPL, at each period end for evidence of impairment and reversal of previously recognised impairment losses. These assets are considered impaired if there is objective evidence of impairment as a result of one or more loss event that have an impact that can be reliably estimated on the estimated future cash flows of the asset and the financial assets carrying value exceeds the estimated future cash flows. Objective factors that are considered when determining whether a financial asset or group of financial assets may be impaired include, but are not limited, to the following: (i) failure to make scheduled payments of capital and/or interest, (ii) adverse changes in the payment pattern of the borrower and (iii) significant deterioration in the fair value of the security underlying financial asset.

a. Loans and receivables
When loans and receivables assets (other than collateralised mortgage loans) carried at amortised cost are impaired, 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 discounted at the financial asset's original effective interest rate. For collateralised mortgage loans the carrying amount is reduced to its recoverable amount, being the future cash flow of the collateralised value less cost to sell discounted at the original effective interest rate of the instrument. For all loans and receivables where an impairment loss has occurred, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of income. When an event occurring after the impairment was recognised cause the amount of impairment loss to decrease, the decrease in impairment loss is reversed in investment income on the statement of income.

b. Financial assets classified as available for sale
In the case of equity financial assets classified as available for sale, in addition to types of events listed above, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment.

When an available-for-sale asset is impaired, the loss accumulated in other comprehensive income is reclassified to investment income on the statement of income. The cumulative loss that is reclassified from other comprehensive income to investment income is measured as the difference between the acquisition cost and the current fair value of the financial assets less any impairment loss previously recognised in the statement of income. If, in a subsequent period, the fair value of a financial asset increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment is reversed through the statement of income.

ii) Impairment of non-financial assets

The Company's non-financial assets comprise property and equipment, and intangibles assets. Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Non-financial assets that are subject to amortisation are reviewed for impairment whenever there is objective evidence of impairment. Objective evidence includes, but is not limited to the following: (i) adverse economic, regulatory or environment conditions that may restrict future cash flows and asset usage and/or recoverability, (ii) the likelihood of accelerated obsolescence arising from the development of new technologies and products and (iii) the disintegration of the active market(s) to which the asset is related. If objective evidence of impairment exists, then the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount and is recognised in amortisation on the statement of income. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions of the time value of money and the risks specific to the asset. Assets which cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (cash-generating units).

I. Property and equipment

All assets classified as property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Expenditures relating to ongoing maintenance of property and equipment are expensed as incurred in operating expenses on the statement of income.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at the following rates:

Furniture and equipment	5 years – 10 years
Computer hardware	3 years – 5 years

The assets' residual values and useful lives and method of depreciation are reviewed at the end of each reporting period and adjusted if appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is considered impaired and it is written down immediately to its recoverable amount. In the event of improvement in the estimated recoverable amount, the related impairment may be reversed.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in commissions and other income on the statement of income.

J. Intangible assets

Intangible assets consist of finite life intangible assets. These assets include the following:

i) Finite life intangible assets

Intangible assets have been determined to have finite lives and are amortised on a straight-line basis over varying periods of up to 10 years, being the estimated expected lives. The estimated life is re-evaluated annually. These assets include the following:

a. Customer lists

These assets, which comprise customer lists, customer relationships and contracts acquired from the purchase of rights or as part of business combinations, were initially measured at fair value by estimating the net present value of future cash flows from the contracts in force at the date of acquisition. Subsequently, these assets are carried as cost less accumulated amortisation. Amortisation is calculated using the straight line basis over 10 years, being the expected life of the business assumed.

b. Software development costs
Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Software development costs that are directly attributable to the design and testing of identifiable software products controlled by the Company are recognised as intangible assets when:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software development include employee costs and an appropriate portion of directly attributable overheads. Other development expenditures that do not meet these criteria are expensed when incurred. Capitalised software development costs for projects in use are amortised on a straight-line basis over their useful lives, which range from 5 to 10 years.

K. Insurance and investment contracts

The Company issues contracts that transfer insurance risk or financial risk or both.

i) Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party, the policyholder or ceding company, by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. In addition, the Company considers the proportion of premiums received to the benefit payable if the insured event did occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Life and health insurance contracts include term, whole life and universal life insurance contracts, group life insurance policies, health insurance contracts and life contingent annuities. The Company holds whole life contracts which may be either participating or non-participating contracts.

Section a) – b) outlines the recognition and measurement of material financial line items related specifically to insurance contracts.

a. Reinsurance contracts held related to insurance contracts
The Company uses reinsurance in the normal course of business to manage its risk exposure. Contracts entered into by the Company with reinsurers, under which the Company is compensated by the reinsurers for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts held. Reinsurance assets are measured using the amounts and assumptions associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

To further mitigate underwriting risk, the Company purchases reinsurance to share part of the risks originally accepted by the Company in writing premiums. This reinsurance, however, does not relieve the Company of its primary obligation to policyholders. If any reinsurers are unable to meet their obligations under the related agreements, the Company remains liable to its policyholders for the unrecoverable amounts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are amortised consistent with the underlying insurance contracts.

The Company assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its estimated recoverable amount and recognises that impairment loss in the consolidated statement of income.

b. Insurance contract liabilities

These contracts (meaning insurance contract liabilities, both participating and non-participating) include all forms of life, health and accident insurance and life contingent annuities sold to individuals and groups. A provision for life and health insurance liabilities is made which represents the amounts required, in addition to future premiums and investment income, to provide for future benefit payments, policyholder dividends, commission and policy administrative expenses for all in-force life insurance and annuity policies. These benefits are determined using generally accepted actuarial practices according to standards established by the Canadian Actuarial Standards Board ("ASB"). In accordance with these standards, the provisions have been determined using the Canadian Asset Liability Method ("CALM") or an approximation of CALM.

The insurance liabilities under CALM are calculated by projecting asset and liability cash flows under a variety of interest rate scenarios using best estimate assumptions, together with margins for adverse deviations with respect to other contingencies pertinent to the valuation. Long term business provisions make sufficient allowance for the expected experience scenario and for adverse deviations in experience. Liabilities derived through an approximation to CALM rely on a combination of Company and industry specific experience in order to determine the best estimate assumptions and corresponding margins for adverse deviations, the largest of which, the group and individual health reserves, relies on a historical analysis of the Company's claims emergence patterns and completion factors. Many of the estimates used in actuarial valuation relate to future events and involve a significant amount of judgment. As a result, these estimates are subject to revision on a regular basis.

In certain life and health reinsurance contracts underwritten by the Company, where the timeliness and quality of information from cedants is not sufficient to provide a reasonable estimate of true premium written, then those premiums are recorded as cash is received from the cedants. An insurance contract liability is calculated and any loss on an underwriting year is recorded in the consolidated statement of income. If any profit is anticipated on an underwriting year then further reserves are established to record to nil underwriting income. This takes place for the first 3 years of each underwriting year programme as this time period is felt to be the minimum time necessary to determine underwriting results.

Expected reinsurance recoveries, net of any required provision for impairment are estimated using principles consistent with the Company's method for establishing the related liability and are recorded in accordance with the terms of the Company's reinsurance agreements.

ii) Investment contracts

Investment contracts are those contracts that do not transfer significant insurance risk but do transfer financial risk from the policyholder.

Contracts issued that do not transfer significant insurance or financial risk from the policyholder are referred to as service contracts.

The Company issues contracts that in some instances contain a discretionary participation feature ("DPF"). This feature entitles the holder to receive, as a supplement to guaranteed benefits, a dividend. Dividends are paid on the policy anniversary and as long as the policy is in force. These contracts are referred to as participating contracts. IFRS allows the non-guaranteed, or participating, elements of such contracts to be classified as either a liability or as equity, depending on the nature of the obligation to the policyholder. The contracts issued by the Company contain constructive obligations to the policyholder with respect to the DPF of the contracts. We have therefore elected to classify these features as a liability, consistent with accounting treatment under the CALM, and in accordance with guidance provided by the Canadian Institute of Actuaries.

Investment contracts with discretionary participating features are accounted for in accordance with IFRS 4 and investment contracts without discretionary participating features are accounted for in accordance with IAS 39, Financial Instruments: Recognition and Measurement.

The Company's investment contracts include pension plans with a guaranteed minimum rate of return and annuities that do not transfer insurance risk. All investment contracts issued are non-participating.

Liabilities for investment contracts have been designated at fair value through profit and loss ("FVTPL"). Contracts recorded at FVTPL are measured at fair value at inception and each subsequent reporting period using CALM or an approximation of CALM. Changes in investment contract liabilities are recorded as a change in investment contract benefits expense in the consolidated statement of income. These liabilities are derecognised when the obligation of the contract is discharged, cancelled or expired.

iii) Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance and investment contract holders. These receivables and payables are included in insurance receivables and other assets, insurance and investment contract liabilities and other liabilities in the consolidated statement of financial position.

If there is objective evidence that the receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognises that impairment loss in the consolidated statement of income. The Company gathers the objective evidence that a receivable is impaired using the same process adopted for loans and receivables in Note 2H above. The impairment loss is calculated using the same method used for these financial assets.

L. Segregated funds assets and liabilities

Segregated funds assets and liabilities relates to contracts issued by the Company where the benefit amount to the policyholder is directly linked to the fair value of the investment held in the particular segregated fund. The underlying assets are registered in the name of the Company and the segregated fund policyholder has no direct access to the specific assets. The contractual arrangements are such that the segregated fund policyholder bears the risk and rewards of the fund's investment performance. There is also no insurance risk to the Company with these contracts. Segregated funds net assets are recorded at fair value. The fair value of the segregated funds net liabilities is equal to the segregated funds net assets. Income earned on the management of these contracts is included in commission and other income in the statement of income. Investment income earned by the segregated funds and expenses incurred by the segregated funds are not presented in the statement of income and are disclosed in Note 13.

M. Loans to policyholders

Loans to policyholders are initially measured at fair value and subsequently carried at amortised cost and are fully secured by the policy values on which the loans are made. These loans are classified as loans and are included in investments within the statement of financial position.

N. Employee benefits

The Company operates various post-employment schemes, including both defined benefit pension plans and post-employment medical plans.

i) Pension obligations

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. With respect to the Company's defined contribution plans, the Company pays contributions into the plan and has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

A defined benefit plan is a pension plan in which the Company is obligated to pay a specified benefit based on a predetermined formula. The net liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the financial reporting period less the fair value of plan assets. When the calculation results in a surplus, the asset recognised is limited to the present value of the future economic benefit available in the form of future refunds from the plan or reductions in future contributions to the plan (the asset limit). The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market interest rates of high-quality debt instruments.

Re-measurement of the net defined benefit asset or liability consists of actuarial gains and losses, the change in effect from asset limits and the return on plan assets, excluding amounts included in net interest on the net defined benefit asset or liability, and are charged or credited to other comprehensive income in the period in which they arise. Current service costs, past services cost, any gains or losses from curtailments and interest on the net defined benefit liability (asset) are recognised immediately in the statement of income.

ii) Other post-employment obligations

In addition to pension benefits, the Company provided post-retirement benefits for health care to qualified employees who retired prior to 1 January 2012. The entitlement to these benefits was usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits were accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans.

In the prior year, these costs were recognised on an accrual basis during the years when service was provided to the Company. Actuarial gains and losses are charged or credited to equity in other comprehensive income in the period in which they arise. In the current year only the interest on the obligation is recognised in the statement of income. Independent qualified actuaries value these obligations annually.

O. Revenue recognition

Revenue comprises the fair value for services. Revenue is recognised as follows:

i) Premium income

Premiums on most life and health insurance contracts and life contingent annuity investment contracts are recognised as revenue when due from the policyholder.

Premiums on life and health reinsurance contracts underwritten by the Company are recognised based on receipts reported by the ceding company. This occurs when the timeliness and quality of information reported by the ceding company is not sufficient to otherwise record the revenue when due.

ii) Commission income

Commission income on insurance contracts is recognised when earned and the amount is readily determinable. The recognition of profit commissions is also dependent on the loss experience underlying such reinsurance policies.

iii) Service contracts

Revenue arising from the management of service contracts, pension administrative services and investment advisory and management offered by the Company is recognised in the accounting period in which the services are rendered. This revenue is included within commission and other income in the statement of income.

P. Leases

Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases, where the Company is the lessee are included within operating expenses in the statement of income.

Q. Share capital

Common shares are a classified as equity. Incremental costs directly attributable to the issue of common shares are recognised as deduction from equity.

R. Dividend distribution

Dividend distribution to the Company's shareholder is recognised as a liability in the statement of financial position in the period in which the dividends are approved by the Company's Board of Directors.

3. NEW AND REVISED ACCOUNTING STANDARDS

A. Amended International Financial Reporting Standards adopted in 2015

The Company adopted the amendments to IAS 19 – Employee Benefits issued by the IASB in November 2013. The amendments clarify the accounting for contributions by employees or third parties to defined benefit plans. These amendments did not have a significant impact on the Company's financial statements.

The Company also adopted the narrow scope amendments issued under the 2010 – 2012 and 2011 – 2013 Cycles of the Annual Improvements projects issued by the IASB in December 2013. Minor amendments were made to several standards but adoption of these amendments did not have a significant impact on the Company's financial statements.

B. New and revised International Financial Reporting Standards to be adopted in 2016 or later

The following new standards and amendments to existing standards were issued by the IASB and are expected to be adopted by the Company in 2016 or later.

IFRS 15 – Revenue Recognition ("IFRS 15") – This standard was issued in May 2014 and applies to new contracts created on or after 1 January 2017 and to existing contracts not yet complete at that date. The standard applies a single standard to all contracts with customers except lease and insurance contracts, financial instruments and non-monetary exchanges between parties in the same line of business. The standard says that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration that the entity expects to be entitled to in exchange for those goods and services. The Company is currently assessing the impact of IFRS 15.

IFRS 9 - Financial Instruments ("IFRS 9") – In July 2014 the final version of IFRS 9 was issued. It replaces the guidance in IAS 39. The standard provides guidance on the classification and measurement of financial instruments, impairment of financial assets and hedge accounting. It requires financial assets to be measured at fair value through OCI, fair value through profit and loss or amortised cost while eliminating the existing categories of available-for-sale, held to maturity and loans and receivables. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. There is now a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. 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 liabilities designated at fair value through profit or loss. The effective date is for annual periods beginning after 1 January 2018. The amendments also provide relief from the requirements to restate comparative financial statements. The Company is currently assessing the impact of IFRS 9.

IFRS 16 – Leases – In January 2016, the IASB issued this standard which introduces new guidance for identifying leases as well as a new right-of-use accounting model for lessees, replacing the operating and finance lease accounting models that currently exist. The new accounting model will generally require all lessees to recognise lease assets and liabilities on the balance sheet, initially measured at present value of unavoidable lease payments for all leases with a maximum possible term of more than 12 months. In contrast to the significant changes for lessees, the new standard will retain many key aspects of the current lessor accounting model. The standard is effective 1 January 2019. The Company is evaluating the impact of the adoption of this standard.

Annual Improvements 2012-2014 Cycle – This was issued in September 2014 as part of the ongoing process by the IASB to efficiently deal with non-urgent narrow scope amendments to IFRS. The amendments are effective 1 January 2016 and adoption of these amendments are not expected to have a significant impact on the Company's financial statements.

IAS 1 – Presentation of Financial Statements – Amendments to this standard were issued in December 2014 and are effective for years beginning on or after 1 January 2016. The amendments clarify existing requirements relating to materiality and aggregation, along with presentation and note structure. These amendments are not expected to have a significant impact on the Company's financial statements.

IAS 16 – Property, plant and equipment and IAS 38 – Intangible Assets – Amendments to these standards were issued in May 2014 and are to be applied prospectively beginning on or after 1 January 2016. The amendments clarify acceptable methods of depreciation and amortisation and require a method that reflects consumption of the economic benefit rather than the revenue generated and prohibits revenue based methods. These amendments are not expected to have a significant impact on the Company's financial statements.

There are no other IFRS's or IFRIC interpretations that are not yet effective that would be applicable and expected to have a material impact on the Company.

(in thousands of Bermuda dollars)

4. MERGER BETWEEN ENTITIES UNDER COMMON CONTROL

Effective 17 April 2015, the Company merged with an affiliated company, Bermuda International Reinsurance Services Limited ("BIRSL"), a Bermuda exempted company licensed as a class C insurer, and the Company was the surviving entity. BF&M Limited owned 100% of the common shares of both companies immediately prior to the merger and continues to own 100% of the common shares of the combined entity. Upon the merger, all 370,000 common shares issued and outstanding in BIRSL were cancelled with no repayment and the capital and contributed surplus of BIRSL was combined with the contributed surplus of the Company.

All of the business historically written in BIRSL was fronted by the Company and is predominately non Bermuda based risk. As the participation in this business has declined in recent years and the Company had previously expanded to insure risk outside of Bermuda, a strategic decision was made by management to combine the two entities.

The full year results of both entities have been included within the results of the combined entity, including the prior year comparatives.

The effects of this merger on the prior year statement of income and comprehensive income are as follows:

Statement of income and other comprehensive income

For the year-ended 31 December 31 2014	As reported	Merger Amendments	Revised
Reinsurance ceded	(11,697)	4,702	(6,995)
Investment income	21,294	6	21,300
Commission and other income	8,991	(2,251)	6,740
Insurance contracts benefits and expenses	104,994	2,173	107,167
Commission and acquisition expense	5,436	(299)	5,137
Operating expense	24,229	140	24,369
Net income	8,979	443	9,422
Comprehensive income	7,641	443	8,084

(in thousands of Bermuda dollars)

The effects of this merger on the prior year statement of financial position are as follows:

Statement of financial position

As at 31 December 31 2014	As reported	Merger Amendments	Revised
ASSETS			
Cash and cash equivalents	11,904	305	12,209
Amounts due from affiliates	14,164	4,369	18,533
Reinsurance assets (liabilities)	772	(2,995)	(2,223)
LIABILITIES			
Other liabilities	18,441	66	18,507
Amounts due to affiliates	7,633	(2,723)	4,910
Insurance contract liabilities	174,149	710	174,859
EQUITY			
Contributed surplus	3,101	5,023	8,124
Retained earnings	71,739	(1,397)	70,342

The effects of this merger on the prior year statement of changes in equity are as follows:

	Contributed Surplus	Retained Earnings
Balances as at 1 January 2014, as previously reported	2,595	66,520
Increases (Decreases)	5,021	(1,840)
Revised balance as at 1 January 2014	7,616	64,680
Balances as at 31 December 2014, as previously reported	3,101	71,739
Increases (Decreases)	5,023	(1,397)
Revised balance as at 31 December 2014	8,124	70,342

5. MANAGEMENT OF FINANCIAL AND INSURANCE RISK

Risk management and objectives

The Company's primary objective in undertaking risk management activity is to manage risk exposures in line with risk appetite, minimizing its exposure to unexpected financial loss and limiting the potential for deviation from anticipated outcomes. In this respect, a framework of limits and qualitative statements, aligned with the Company's risk appetite, is in place for material exposures. Key management recognises the critical importance of having efficient and effective risk management systems in place.

A significant part of the Company's business involves the acceptance and management of risk. The Company is exposed to insurance, market, credit, liquidity and operational risks and operates a formal risk management framework to ensure that all significant risks are identified and managed.

The Company seeks to manage its exposures to risk through control techniques which ensure that the residual risk exposures are within acceptable tolerances agreed by the Board of Directors. The Company has established a risk management function with terms of reference from the Board of Directors, its committees and the associated executive management committees. This is supplemented with an organizational structure with documented delegated authorities and responsibilities from the Board of Directors to executive management committees and senior managers. The key control techniques for the major categories of risk exposure are summarised in the following sections.

Risks are usually grouped by risk type: financial, including credit, liquidity and market, and insurance risk. Risks falling within these types may affect a number of key metrics including those relating to the balance sheet strength, liquidity and profit. The risk factors mentioned below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties.

Assets which relate to certain life insurance and investment contracts are managed for the account and risk of the Company's customers. They are segregated and managed to meet specific investment objectives of the policyholders. The assets back the insurance liabilities and the financial liabilities arising from these contracts. The fair value of the liabilities reflects the fair value of the assets.

A. Financial risks

i) Credit risk

Credit risk is the exposure that a counter-party to a financial instrument is unable to meet an obligation, thereby causing a financial loss to the Company. The Company faces credit risk on its financial assets. The following policies and procedures are in place to manage this risk:

- Holding a diversified investment portfolio that focuses on quality of investment. The portfolio is monitored and reviewed regularly by management's Investment Committee and by the Board of Director's Finance, Compensation, and Corporate Governance Committee;
- Investment guidelines are in place that require the purchase of only investment-grade assets and minimise undue concentration of assets in any single insurer, industry group, asset class or credit rating, unless required by local law or regulation;
- Investment guidelines specify collateral requirements for mortgages and loans and receivables which include the underlying property or other security; and
- Transacting business with well-established reinsurance companies with strong credit ratings.

(in thousands of Bermuda dollars)

Maximum exposure to credit risk

The following table summarises the Company's maximum exposure to credit risk related to financial assets. The maximum credit exposure is the carrying value of the asset net of any allowances for losses.

	2015 $	2014 $
Cash and cash equivalents	44,320	12,209
Fixed and regulatory deposits	5,059	3,868
Fixed income securities	413,528	415,287
Mortgages and loans	68,746	72,805
Insurance receivables and other assets	18,380	19,521
Amounts due from affiliates	4,735	18,533
	554,768	**542,223**

Concentration of credit risk

Concentrations of credit risk arise from exposures to a single debtor, a company of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries.

The following table provides details of the carrying value of fixed income securities by industry sector and geographic distribution:

	2015 $	2014 $
Fixed income securities issued or guaranteed by:		
Financials	83,477	85,980
Government	22,500	27,773
U.S. Treasury and other agencies	114,278	119,351
Utilities and energy	79,490	80,579
Consumer staples and discretionary	52,357	55,052
Telecom	7,999	11,033
Computer technology products and services	17,236	12,841
Industrials	15,675	13,076
Other	20,516	9,602
Total fixed income securities	**413,528**	**415,287**
United States	344,635	371,903
Canada	36,716	40,701
Northern Europe	25,507	2,359
Asia-Pacific	4,782	-
United Kingdom	-	324
Other	1,888	-
Total fixed income securities	**413,528**	**415,287**

(in thousands of Bermuda dollars)

The carrying value of mortgages and loans by geographic location is shown in the following table:

	2015 $	2014 $
Bermuda	68,746	72,805
Total mortgages and loans	**68,746**	**72,805**

Credit quality of fixed income securities

The credit quality of financial assets are assessed each quarter by reference to external credit ratings, if available, or review of historical and current conditions that existed at the statement of financial position date.

The following table summarises the carrying value of fixed income securities by external credit rating.

	2015 $	2014 $
Fixed income securities ratings:		
AAA	35,473	28,069
AA	198,988	202,745
A	157,906	166,175
BBB	21,153	18,288
Not rated*	8	10
Total fixed income securities	**413,528**	**415,287**

* Not rated fixed income securities relate to assets which are held by counterparties that are not rated by the rating agencies.

Past due or credit impaired financial assets

Mortgages comprise first mortgages on real property situated in Bermuda and are registered under The Mortgage Registration Act 1976 and The Trustee Act 1975. Other loans are secured by a collateral assignment of life insurance policy proceeds and irrevocable beneficiary designation.

Mortgages and loans that are past due but not considered impaired are loans for which scheduled payments have not been received, but management has reasonable assurance of collection of the full amount of principal and interest due. Management exercises judgment in assessing a borrower's ability to meet current and future contractual interest and principal payments including assessing the current financial position of the borrower and the value of the collateral.

The following table provides carrying amounts of the mortgages and loans that are considered past due or impaired:

	2015 $	2014 $
Not past due	56,064	53,686
Past due less than 90 days	5,724	4,364
Past due 90 to 180 days	494	1,327
Past due 180 days or more	-	-
Impaired (net of impairment provisions)	6,464	13,428
Total mortgages and loans	**68,746**	**72,805**

Interest accrued on the impaired mortgages amounted to $3,513 as at 31 December 2015 (2014: $3,392).

(in thousands of Bermuda dollars)

Significant judgment is applied by management in the determination of impairment including the timing and amount of future collections, costs expected to be incurred to collect or dispose of the collateral, and sale proceeds on any required disposal of collateral.

The reconciliation of the impairment and provision on mortgage and loans is as follows:

	2015 $	2014 $
At 1 January	12,190	10,292
Transfer to available for sale residential properties	(743)	(19)
Sale of foreclosed mortgage loans	(721)	-
Increase in impairment and provision allowance	6,615	1,917
At 31 December	**17,341**	**12,190**

A significant estimate in the determination of impairment is the timing of future collections which is based on the expected timing of liquidating the underlying collateral. Market value fluctuations will impact the value of the collateral and can significantly impact the estimate of impairment. Management estimates that collection will occur within 12 months. An additional impairment of between $355 and $646 could be incurred if collection occurred within 18-24 months.

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations as they become due. The following policies and procedures are in place to manage this risk:

- Management maintains levels of cash and short-term deposits, which are sufficient to fulfill the Company's short-term obligations;
- Short-term cash flow needs are adequately met by operating cash flows and proceeds from mortgage and loan repayments;
- The Company closely manages operating liquidity through cash flow matching of assets and liabilities on its life insurance, annuities, and pensions business. Investments in various types of assets occur with a view to matching them to our liabilities of various durations;
- Investments are graded internally on a liquidity level (1 to 4) and the Company looks to maintain adequate levels in highly liquid (1 and 2) securities;
- The Company maintains appropriate dividend and capital policies to ensure movement of cash flow as needed;
- Arrangements with reinsurers are made to ensure that recoverables are received in a timely fashion in the event of a liquidity crisis.

(in thousands of Bermuda dollars)

The maturity profile of financial assets at 31 December 2015 is as follows:

	Within 1 year	2 to 3 years	4 to 5 years	Over 5 years	Total	Effective interest rate ranges
	$	$	$	$	$	
Fixed income securities	61,141	105,474	131,196	115,717	413,528	0.50% - 7.13%
Mortgages	8,365	4,915	6,981	44,870	65,131	5.25% - 9.00%
Policyholder loans	181	362	362	2,710	3,615	4.75% - 8.25%
Insurance receivables and other assets	18,380	-	-	-	18,380	
Total	**88,067**	**110,751**	**138,539**	**163,297**	**500,654**	
Percent of total	**17.59%**	**22.12%**	**27.67%**	**32.62%**	**100%**	

The maturity profile of financial assets at 31 December 2014 is as follows:

	Within 1 year	2 to 3 years	4 to 5 years	Over 5 years	Total	Effective interest rate ranges
	$	$	$	$	$	
Fixed income securities	37,679	125,504	135,778	116,326	415,287	0.2% - 7.13%
Mortgages	11,681	7,043	7,762	42,560	69,046	5.25% - 9%
Policyholder loans	188	376	376	2,819	3,759	4.75% - 8.25%
Insurance receivables and other assets	19,521	-	-	-	19,521	
Total	**69,069**	**132,923**	**143,916**	**161,705**	**507,613**	
Percent of total	**13.61%**	**26.19%**	**28.35%**	**31.85%**	**100%**	

The maturity profiles of the Company's significant insurance and financial liabilities are summarised in the following tables. Maturity profiles for financial liabilities are disclosed according to contractual maturity dates. Maturity profiles for net insurance liabilities are based on expectations.

The maturity profile of liabilities at 31 December 2015 is as follows:

	Within 1 year	1-5 years	Over 5 years	Total
	$	$	$	$
Other liabilities	22,803	-	-	22,803
Amounts due to affiliates	11,756	-	-	11,756
Investment contract liabilities	60,607	224,795	1,022	286,424
Insurance contract liabilities – net of reinsurance	19,146	374	152,380	171,900
Total	**114,312**	**225,169**	**153,402**	**492,883**

(in thousands of Bermuda dollars)

The maturity profile of liabilities at 31 December 2014 is as follows:

	Within 1 year	1-5 years	Over 5 years	Total
	$	$	$	$
Other liabilities	18,507	-	-	18,507
Amounts due to affiliates	4,910	-	-	4,910
Investment contract liabilities	39,943	241,173	428	281,544
Insurance contract liabilities – net of reinsurance	18,672	4,253	154,157	177,082
Total	**82,032**	**245,426**	**154,585**	**482,043**

iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk), and market prices (price risk).

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has operations in several jurisdictions and revenue and expenses are denominated in several local currencies. The Company is not significantly exposed to foreign exchange risk because of the following:

- The majority of the Company's assets, liabilities, and earnings are denominated in Bermuda, Bahamian or United States dollars;
- The Bermuda, and Bahamian dollars are pegged to the United States dollar; and
- The Bermuda dollar is at par with the United States dollar.

The Company regularly monitors currency translation fluctuations. Generally, the Company looks to match the currency of its local assets to the currency of the local liabilities they support or to the United States dollar as the currency of the liabilities is generally pegged to the United States dollar. This achieves the objective of mitigating risk of loss arising from movements in currency. Policies written in currencies that are not pegged to the United States dollar are not material and the Company considers the currency risk minimal.

Interest rate risk

Interest rate risk is price volatility produced by changes in the overall level of interest rates. Change in market interest rates can impact the reinvestment of matured investments, as the returns available on the new investment may be significantly different from the returns previously achieved. The Company manages these risks through:

- Asset allocation and diversification of the investment portfolio;
- Utilization of a formal process for managing the matching of assets and liabilities;
- Investing in assets that are suitable for the products sold;
- Investing in fixed income assets that closely match the life liability product cash flows for products with fixed and highly predictable benefit payments; and
- Quantifying and reviewing regularly the risk associated with the mismatch in portfolio duration and cash flow.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

Investment contracts with fixed and guaranteed terms held to maturity are accounted for at amortised cost and their carrying amounts are not sensitive to changes in the level of interest rates.

In relation to financial assets, management monitors the sensitivity of reported interest rate movements by assessing the expected changes in the different portfolios due to parallel movements of 100 basis points in all yield curves.

The impact of interest rate risk for the Company's actuarial liabilities and the assets supporting those liabilities is included in Note 5B - Insurance Risk below. The Company also holds fixed income investments which support non-life insurance liabilities and surplus. If the base interest rates, as measured by the US Treasury yield curve, shifted parallel by 100 basis points higher/lower, the immediate impact to net income would have been $965 (2014 - $855) higher/lower. The interest rate sensitivity impact was calculated using the modified duration method.

Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting the market.

The Company's price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities.

The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector, and market.

A 5% increase/decrease in the value of the Company's equity portfolio would increase/decrease the Company's comprehensive income by $360 (2014 - $316). The price risk sensitivity impact was calculated by using the ending balances in equity at a 5% increase/decrease.

B. Insurance risk

Insurance risk in the Company arises through its exposure to mortality and morbidity risks and exposure to worse than anticipated operating experience on factors such as persistency levels and management and administration expenses.

Management of life and health insurance risks

The Company has developed an insurance risk policy and guidelines on the practical application of this policy. Individual insurance risks are managed at a business unit level but are also monitored at the Company level.

The impact of insurance risk is monitored by the business units as part of the control cycle of business management. Exposure is monitored through the assessment of liabilities and the asset liability management framework process. At the Company level the overall exposure to insurance risk is measured through management reporting, Dynamic Capital Adequacy Test ("DCAT"), Minimum Continuing Capital and Surplus Requirement ("MCCSR"), and Bermuda Solvency Capital Requirement ("BSCR") analysis.

The Board of Directors considers the reinsurance coverage across the life and health businesses. It confirms that guidance and procedures are in place for each of the major components of insurance risk, and that the businesses mitigate against any insurance risk within the parameters for the overall Company risk appetite.

The Board of Directors has also developed guidance for business units on management of a number of areas of insurance risk to ensure best practice is shared throughout the Company and common standards are adopted.

(in thousands of Bermuda dollars)

The individual life and health insurance risks are managed as follows:

- Mortality and morbidity risks are mitigated by use of reinsurance. The Company selects reinsurers, from those approved by the Company, based on local factors, but assesses the overall programme to manage Company-wide risk exposures and monitor that the aggregation of risk ceded to individual reinsurers is within the Company's appetite for credit risk.
- Longevity risk: The Company monitors the exposure to this risk and the capital implications to manage the impact on the Company-wide exposure and the capital funding that the Company may require as a consequence.
- Persistency risk: Where possible the financial impact of lapses is reduced through appropriate product design. The Company also implements specific initiatives to improve retention of policies which may otherwise lapse.
- Product design and pricing risk arises from poorly designed or inadequately priced products and can lead to both financial loss for and reputational damage to the Company. Guidelines have been developed to support the Company through the complete cycle of the product development process, financial analysis and pricing.
- Expense risk is primarily managed by the Company through the assessment of profitability and frequent monitoring of expense levels.

There is considerable judgment required by management in making assumptions in the measurement of insurance and investment contract liabilities. Application of different assumptions may result in different measure of the liabilities. Therefore, sensitivity testing is widely used to measure the capital required and volatility in earnings due to exposure to life and health insurance risks. This assessment is taken at both business unit level and at Company level where the impact of aggregation of similar risks can be measured. This enables the Company to determine whether action is required to reduce risk, or whether that risk is within the overall risk appetite.

Concentration risk

The following table shows life and health insurance liabilities by geographic area:

		2015			2014	
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	$	$	$	$	$	$
Bermuda	164,723	1,868	166,591	168,637	1,831	170,468
Bahamas	2,692	427	3,119	2,511	392	2,903
Other Caribbean & Latin America	2,190	-	2,190	3,711	-	3,711
Total	**169,605**	**2,295**	**171,900**	**174,859**	**2,223**	**177,082**

Sensitivity test analysis

The Company uses a number of sensitivity test-based risk management tools to understand the volatility of earnings, the volatility of its capital requirements, and to manage its capital more efficiently. Sensitivities to economic and operating experience are regularly produced on all of the Company's financial performance measurements to inform the Company's decision making and planning processes, and as part of the framework for identifying and quantifying the risks to which each of its business units, and the Company as a whole, are exposed.

The following provides information about management's best estimate of the impact of changes in assumptions used to determine the Company's life and health insurance contract liabilities.

Mortality

Mortality refers to the rates at which death occurs for defined groups of people. For life products where higher mortality would be financially adverse to the Company, a 1% increase in the best estimate assumption would increase the actuarial liabilities by $96 (2014 - $95). For annuity products where lower mortality would be financially adverse to the Company, a 1% decrease in the best estimate assumption would increase the actuarial liabilities by $287 (2014 - $290).

Morbidity

Morbidity refers to both the rates of accident or sickness and the rates of recovery there from. The Company's long term disability and medical expense insurance is marketed mostly on a group basis. The most significant morbidity risk relates to the individual and group health business. A 1% increase in medical claims net of reinsurance would increase the actuarial liabilities by $751 (2014 - $738).

Investment returns

Assets are notionally segmented to correspond to the different liability categories of the Company. For each segment, the projected current asset and liability cash flows are used in the Canadian Asset Liability Method ("CALM") under several interest rate scenarios to determine the actuarial liabilities. Asset cash flows are reduced to provide for asset default losses.

Interest rate risk associated with this assumption is measured by determining the effect on the present value of the projected net asset and liability cash flows of the Company of an immediate 1% increase or an immediate 1% decrease in the level of interest rates. These interest rate changes will impact the projected cash flows.

The effect of an immediate 1% increase in interest rates would be to decrease the present value of these net projected cash flows by approximately $2,343 (2014 - $3,611). The effect of an immediate 1% decrease in interest rates would be to increase the present value of these net projected cash flows by approximately $2,343 (2014 - $3,611).

The level of actuarial liabilities established under the CALM valuation provides for interest rate movements other than the 1% movements indicated above.

Expenses

Actuarial liabilities provide for future policy-related expenses. These include the costs of premium collection, claims adjudication and processing, related consulting services, preparation and mailing of policy statements and related indirect expenses and overheads. Expense risk is the risk that future expenses are higher than assumed. A unit expense study is performed annually to determine an appropriate estimate of future expenses by liability type. An inflation assumption is incorporated in the estimate of future expenses consistent with the interest rate scenarios projected under CALM. A 10% increase in the best estimate maintenance unit expense assumption would increase the actuarial liabilities by approximately $1,452 (2014- $1,576).

Persistency

Policyholders may allow their policies to terminate prior to the end of the contractual period by choosing not to continue to pay premiums or by exercising one of the non-forfeiture options contained in the contract. Assumptions for termination experience on life insurance are based on industry experience. Termination rates vary by plan, policy duration and method of premium payment. For universal life policies, it is also necessary to set assumptions about premium cessation occurring prior to termination of the policy. A 10% adverse change in the best estimate policy termination assumption would increase the actuarial liabilities by $1,107 (2014 - $1,017).

Policyholder dividends

Future policyholder dividends are included in the determination of actuarial liabilities for participating policies, with the assumption that future policyholder dividends will change to reflect the experience of the respective participating accounts consistent with the participating policyholder dividend policies.

C. Capital management and regulatory compliance

The Company's policy is to maintain a strong capital base. The Company manages its capital to ensure its continued ability to provide an adequate return to the shareholder, exceed insurance regulatory capital requirements, provide flexibility to take advantage of growth opportunities, maintain a strong credit rating, and to support the risks associated with the business of the Company. The Company's capital base consists of share capital, contributed surplus, accumulated other comprehensive loss, and retained earnings as disclosed on the statement of financial position.

The Bermuda Monetary Authority ("BMA") is the regulator of the Company. Under the laws and regulations of Bermuda, the Company must maintain a minimum amount of statutory capital and surplus based on the enhanced capital requirement. As at 31 December 2015, the Company exceeded the minimum requirement.

Management monitors the adequacy of the Company's capital from the perspective of the Bermuda Insurance Act and Companies Act as well as the regulatory requirements of the other jurisdictions in which the Company operates. The Company's practice is to maintain its capitalization at a level that will exceed the relevant minimum regulatory capital requirements. In addition, while not a regulatory requirement, the Company follows the capital adequacy measurement established by the Office of the Superintendent of Financial Institutions in Canada known as the Minimum Continuing Capital and Surplus Requirements ("MCCSR"). The Company's investment policies emphasise the preservation of capital and the maintenance of a diversified investment portfolio, which together serve to minimise the risk that investment activities pose to the Company's capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholder or issue new shares.

Under The Insurance Act 1978 (Bermuda), Amendments Thereto and Related Regulations ("the Act"), the Company is required annually to prepare and file statutory financial statements and a statutory financial return. The Bermuda Solvency and Capital Requirement ("BSCR") is the prescribed form of capital and solvency return in Bermuda. The BSCR includes a standardised model for assessing the minimum capital required to be held by a company based on a measure of risk associated with an insurance company's assets, liabilities, premiums and catastrophe risk exposure. The BMA requires all Groups and insurers to maintain their minimum statutory capital and surplus at a level which is 120% of the amount calculated in accordance with the BSCR.

The Act also requires the Company to meet minimum liquidity ratios whereby defined relevant assets must exceed 75% of defined relevant liabilities.

(in thousands of Bermuda dollars)

The 1978 Act limits the maximum amount of annual dividends and distributions that may be paid by the Company. Before reducing by 15% or more its total statutory capital, as set out in the prior year's financial statements, these insurance companies must request the approval of the BMA. In addition, The Bermuda Companies Act (1981) limits the Company's ability to pay dividends and distributions to shareholders if there are reasonable grounds for believing that the Company would be unable to pay its liabilities as they become due or if the realisable value of its assets would be less than the aggregate of its liabilities, issued share capital and share premium accounts.

6. CASH AND CASH EQUIVALENTS

	2015 $	2014 $
Cash at bank and in hand	33,836	8,431
Short-term bank deposits	10,484	3,778
Total	**44,320**	**12,209**

7. REGULATORY DEPOSITS

	2015 $	2014 $
Regulatory deposits	**5,059**	**3,868**

Regulatory deposits represent fixed amounts placed on deposit with banks to satisfy licensing criteria of the Insurance Commission of the Bahamas. These deposits cannot be removed nor the amounts reduced without the prior written consent of the relevant regulator.

8. INVESTMENTS

A. Carrying amount and fair value of investments

Investments comprise:

	2015		2014	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
At fair value through profit and loss				
- Fixed income securities	413,528	413,528	415,287	415,287
- Equities	7,198	7,198	6,313	6,313
Loans and receivables				
- Mortgages	65,131	64,595	69,047	68,460
- Policyholder loans	3,615	3,615	3,758	3,758
	489,472	**488,936**	**494,405**	**493,818**
Available for sale				
- Residential properties	**1,500**	**1,500**	**1,530**	**1,530**
	490,972	**490,436**	**495,935**	**495,348**

(in thousands of Bermuda dollars)

B. Investment (loss) income

	2015 $	2014 $
Interest income		
Fixed income securities – at FVTPL	8,456	7,842
Mortgages and loans	4,241	4,466
Bank deposits and policyholder loans	249	241
Due from affiliate loans	38	63
	12,984	12,612
Dividend income		
Equities – at FVTPL	136	323
	136	323
Net realised gains (losses) on sale of investments		
Equities – at FVTPL	164	186
Fixed income securities – at FVTPL	3,707	(113)
	3,871	73
Change in fair value arising from		
Fixed income securities	(11,127)	13,847
Equities	(418)	(370)
	(11,545)	13,477
Impairments and deductions		
Less: Impairment provision on mortgages and loans	(6,615)	(1,917)
Less: Impairment loss on available for sale assets	-	(247)
Less: Allocation to contracts for the account and risk of customers	(2,502)	(3,021)
	(9,117)	(5,185)
Total	**(3,671)**	**21,300**

9. FAIR VALUE MEASUREMENT

A. Fair value methodologies and assumptions

The carrying values of cash and cash equivalents and regulatory deposits approximate their fair values.

The fair value of fixed income securities which are carried at FVTPL is determined using quoted prices in active markets for identical or similar securities. When quoted prices in active markets are not available, fair value is determined using market standard valuation methodologies, which include discounted cash flow analysis, consensus pricing from various broker dealers that are typically the market makers, or other similar techniques. The assumptions and valuation inputs in applying these market standard valuation methodologies are determined primarily using observable market inputs, which include, but are not limited to, benchmark yields, reported trades of identical or similar instruments, broker-dealer quotes, issuer spreads, bid prices, and reference data including market research publications. In limited circumstances, non-binding broker quotes are used.

The fair value of equity securities is determined using quoted prices in active markets for identical securities or similar securities. When quoted prices in active markets are not available, fair value is determined using equity valuation models, which include discounted cash flow analysis and other techniques that involve benchmark comparison. Valuation inputs primarily include projected future operating cash flows and earnings, dividends, market discount rates, and earnings multiples of comparable companies.

For disclosure purposes, the fair value for fixed income securities classified as either held to maturity or loans and receivables, and mortgages and loans classified as loans and receivables, is determined by discounting the expected future cash flows using a current market interest rate applicable to financial instruments with a similar yield, credit quality and maturity characteristics. Valuation inputs typically include benchmark yields and risk-adjusted spreads from current lending activities or loan issuances. For collateralised mortgages, fair value reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

Fair values for investment properties and residential properties held for sale are assessed annually and reviewed quarterly for material changes. The fair value is assessed using the most recently available reports from qualified external appraisal services. These properties are appraised externally at least once every three years. The Bermuda properties were externally valued as at 31 December 2014. Values are estimated using 1) the income approach to estimate the present value of discounted projected future cash flows using current rental values, assessed rental values or market rental values at a market discount rate; or 2) determined having regard to recent market transactions for similar properties in similar locations or where such information is not readily available, other valuation techniques such as the income capitalisation model are used. The methodologies and inputs used in these models are in accordance with real estate industry valuation standards. Valuation inputs include estimated rental value, rental growth rates, vacancy rates, discount rates, future operating expenses and terminal growth rates.

The fair value of investments for accounts of segregated fund holders is determined using quoted prices in active markets or independent valuation information provided by investment managers. The fair value of direct investments within investments for accounts of segregated fund holders, such as short-term securities and government and corporate debt securities, is determined according to valuation methodologies and inputs described above in the respective asset type sections.

The methodologies and assumptions for determining the fair values of investment contract liabilities are included in Note 2K.

B. Fair value hierarchy

The Company categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to fair value measurement in its entirety.

The three levels of the fair value hierarchy are defined as follows:

i) Level 1

Fair value is based on quoted market prices for identical assets and liabilities in an active market at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing services, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price.

(in thousands of Bermuda dollars)

ii) Level 2

Fair value inputs for Level 2 are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. These inputs include the following:

- Quoted prices for similar assets and liabilities in an active market
- Quoted prices for identical or similar assets in a market that is not active, the prices are not current, or price quotations vary substantially over time or for which little information is released publically.
- Inputs other than quoted prices that are observable for the asset or liability such as interest rates and yield curves.

iii) Level 3

If one or more of the significant inputs is not based on observable market data, the financial assets are included in Level 3. Less than 1% of assets are measured at fair value using estimates and recorded as level 3. Where estimates are used, these are based on a combination of independent third party evidence and internally developed models using market observable data where possible. A transfer from level 2 to level 3 would occur primarily due to decreased observability of inputs in valuation methodology. Conversely, transfers out of Level 3 would primarily occur due to increased observability of inputs.

C. Assets and liabilities measured at fair value

The following table presents the Company's assets and liabilities measured at fair value in the statement of financial position, categorised by level under the fair value hierarchy as at 31 December 2015:

	Level 1	Level 2	Level 3	Total
Assets	$	$	$	$
Cash and cash equivalents	44,320	-	-	44,320
Regulatory deposits	5,059	-	-	5,059
Financial assets at FVTPL				
Fixed income securities	113,206	300,322	-	413,528
Equities	6,775	423	-	7,198
Available for sale financial assets				
Residential properties	-	-	1,500	1,500
Segregated funds assets	479,216	151,843	-	631,059
Total assets	**648,576**	**452,588**	**1,500**	**1,102,664**
Liabilities				
Investment contract liabilities	-	286,424	-	286,424
Segregated funds liabilities	-	631,059	-	631,059
Total liabilities	**-**	**917,483**	**-**	**917,483**

(in thousands of Bermuda dollars)

The following table presents the Company's assets and liabilities measured at fair value in the statement of financial position, categorised by level under the fair value hierarchy as at 31 December 2014:

	Level 1	Level 2	Level 3	Total
Assets	$	$	$	$
Cash and cash equivalents	12,209	-	-	12,209
Regulatory deposits	3,868	-	-	3,868
Financial assets at FVTPL				
Fixed income securities	118,200	297,087	-	415,287
Equities	5,990	323	-	6,313
Available for sale financial assets				
Residential properties	-	-	1,530	1,530
Segregated funds assets	460,161	168,713	-	628,874
Total assets	**600,428**	**466,123**	**1,530**	**1,068,081**
Liabilities				
Investment contract liabilities	-	281,544	-	281,544
Segregated funds liabilities	-	628,874	-	628,874
Total liabilities	-	**910,418**	-	**910,418**

During the current and prior year there were no transfers between Levels 1 and 2.

The following table presents the change in Level 3 instruments (Residential properties held for sale) for the year ended 31 December 2015:

	Total
	$
Opening balance	1,530
Transfers into Level 3	568
Sales	(555)
Gains or losses recognised in profit or (loss)	(43)
Total	**1,500**

The following table presents the change in Level 3 instruments (Residential properties held for sale) for the year ended 31 December 2014:

	Total
	$
Opening balance	488
Transfers into Level 3	1,289
Gains or losses recognised in profit or (loss)	(247)
Total	**1,530**

(in thousands of Bermuda dollars)

Residential properties are assets carried at fair value on a recurring basis that are categorised as level 3. Significant unobservable inputs include sale proceeds, costs to sell and timing of sale. A decrease in expected sale proceeds would result in a decrease in fair value. A decrease in either costs to sell or time to sale would result in an increase in fair value.

D. Assets and liabilities not measured at fair value

For assets and liabilities not measured at fair value in the statement of financial position, the following table discloses fair value information categorised by level in the preceding hierarchy as at 31 December 2015:

Assets	Level 1 $	Level 2 $	Level 3 $	Total $
Loans and receivable financial assets				
Mortgages	-	-	64,595	64,595
Policyholder loans	-	-	3,615	3,615
Total assets	-	-	**68,210**	**68,210**

For assets and liabilities not measured at fair value in the statement of financial position, the following table discloses fair value information categorised by level in the preceding hierarchy as at 31 December 2014:

Assets	Level 1 $	Level 2 $	Level 3 $	Total $
Loans and receivable financial assets				
Mortgages	-	-	68,460	68,460
Policyholder loans	-	-	3,758	3,758
Total assets	-	-	**72,218**	**72,218**

Mortgage loans – The fair values for mortgage loans on real estate are estimated on a monthly basis using discounted cash flow analyses and rates currently being offered in the marketplace.

Policyholder and other loans – The fair value of policy and other loans is reflected as being equal to the carrying value of the loans.

10. INSURANCE RECEIVABLES AND OTHER ASSETS

	2015 $	2014 $
Insurance receivables	7,058	9,229
Accounts receivable	4,780	4,114
Investment income due and accrued	6,542	6,178
Total	**18,380**	**19,521**

(in thousands of Bermuda dollars)

11. PROPERTY AND EQUIPMENT

	Furniture, equipment and leasehold improvements $	Computer hardware $	Total $
At 1 January 2014			
Cost	737	1,761	2,498
Accumulated amortisation	(623)	(1,593)	(2,216)
Net book value	**114**	**168**	**282**
Year ended 31 December 2014			
Additions	154	200	354
Amortisation charge	(48)	(109)	(157)
Closing net book value	**220**	**259**	**479**
At 31 December 2014			
Cost	891	1,961	2,852
Accumulated amortisation	(671)	(1,702)	(2,373)
Net book value	**220**	**259**	**479**
Year ended 31 December 2015			
Additions	19	93	112
Disposals	(549)	(1,561)	(2,110)
Disposals – accumulated amortization	549	1,561	2,110
Amortisation charge	(42)	(125)	(167)
Closing net book value	**197**	**227**	**424**
At 31 December 2015			
Cost	361	493	854
Accumulated amortisation	(164)	(266)	(430)
Net book value	**197**	**227**	**424**

(in thousands of Bermuda dollars)

12. INTANGIBLE ASSETS

The carrying amounts of intangible assets are as follows:

	Finite life		
	Customer lists $	**Software development costs** $	**Total** $
At 1 January 2014			
Cost	5,795	12,846	18,641
Accumulated amortisation	(5,419)	(3,009)	(8,428)
Net book value	**376**	**9,837**	**10,213**
Year ended 31 December 2014			
Additions	-	3,819	3,819
Amortisation	(248)	(1,152)	(1,400)
Closing net book value	**128**	**12,504**	**12,632**
At 31 December 2014			
Cost	5,795	16,665	22,460
Accumulated amortisation	(5,667)	(4,161)	(9,828)
Net book value	**128**	**12,504**	**12,632**
Year ended 31 December 2015			
Additions	-	3,060	3,060
Disposals	(5,795)	(237)	(6,032)
Disposals – accumulated amortization	5,795	237	6,032
Amortisation	(128)	(1,530)	(1,658)
Closing net book value	-	**14,034**	**14,034**
At 31 December 2015			
Cost	-	19,488	19,488
Accumulated amortisation	-	(5,454)	(5,454)
Net book value	-	**14,034**	**14,034**

Software development costs
The Company is engaged in significant development of its new core information systems. Costs associated with the development of the system are deferred, to the extent that the cost satisfies the criteria under *IAS 38 – Intangible assets*, until such time that management determines that a component is available for use in the manner expected and then it is amortised over its useful life. Annually, the Company reviews its software development costs for evidence of impairment.

(in thousands of Bermuda dollars)

13. SEGREGATED FUNDS

A. Segregated funds – net assets

	2015 $	2014 $
Mutual funds	631,059	628,874
Total segregated funds assets	**631,059**	**628,874**

B. Segregated funds – statement of changes in net assets

	2015 $	2014 $
Segregated funds assets – beginning of year	628,874	586,791
Additions:		
Pension contributions	90,578	93,561
Life insurance	16	17
Net realised and unrealised gains/(losses)	(8,573)	16,129
Total additions	82,021	109,707
Deductions		
Payments to policyholders and their beneficiaries	(73,329)	(61,117)
Management fees	(6,507)	(6,507)
Total deductions	(79,836)	(67,624)
Net additions to segregated funds	2,185	42,083
Segregated funds assets – end of year	**631,059**	**628,874**

14. OTHER LIABILITIES

	2015 $	2014 $
These include:		
Insurance balances payable	5,905	2,488
Payables and accrued expenses	11,869	10,902
Policyholder dividends payable	5,029	5,117
Total	**22,803**	**18,507**

Insurance balances payable include amounts payable to reinsurers and brokers.

(in thousands of Bermuda dollars)

15. REINSURANCE LIABILITIES

Reinsurance liabilities are comprised of the following:

	2015 $	2014 $
Life and health insurance contracts:		
Participating		
Individual life	1,613	1,444
Non-participating		
Individual life	2,961	2,526
Group life	(2,280)	(1,748)
Health and accident	1	1
Total Reinsurance liabilities	**2,295**	**2,223**

16. RETIREMENT BENEFIT OBLIGATION

Through BF&M, the Company sponsors two pension plans and a post retirement medical plan for its Bermuda employees. The Company sponsors a percentage of the BF&M plan and the allocation is based on an average headcount of employees.

A. Defined contribution plan

The Company has established defined contribution pension plans for eligible qualifying employees. Contributions by the Company to these defined contribution plans are subject to certain vesting requirements and are generally a set percentage of an employee's annual income and matched against employee contributions. The cost of the defined contribution pension plans are not reflected in the tables below. An expense of $337 (2014 - $346) equating to the service cost for the year for these employees was reported during the year.

B. Post-retirement medical plan

The Company also sponsors a post-retirement medical benefit plan for its Bermuda employees. The main benefit provided is for health care. Prior to 1 January 2012, the Company paid 50% of the total premiums paid to the insurer and the pensioner paid the balance. Retirees after 31 December 2011 pay 100% of their premiums if they want to continue to be covered by the plan. This change reduced the number of current employees who will be prospectively entitled to benefits.

Cash contributions to the plan by the Company during 2015 were $138 (2014 - $137).

C. Defined benefit pension plan

Through BF&M, the Company sponsors a defined benefit pension plan for eligible employees. These plans are closed to new entrants for employees hired after 1999. The defined benefit plan is administered by a separate Fund that is legally separated from the Company. Responsibility for governance of the plans including investment and contributions lies jointly with the Company and the Trustees of the pension fund.

Under the plans, the pension amount at retirement is based on an employee's final average earnings. The scheme is generally funded through payments determined by periodic actuarial calculations. Cash contributions to the plan by the Company during 2015 were $198 (2014 – $227).

(in thousands of Bermuda dollars)

The Company measures the fair value of assets and the accrued benefit obligations as of 31 December. The most recent actuarial valuation of the plans assets and the present value of the defined benefit obligation was carried out as of 31 December 2015.

The following table provides summaries of the defined benefit pension and post-retirement medical plans' estimated financial position at 31 December 2015 and 2014:

	Defined benefit pension plans		**Medical benefit plans**	
Change in defined benefit obligation	**2015** $	**2014** $	**2015** $	**2014** $
Balance - beginning of year	13,973	12,490	1,478	1,412
Current service cost	208	178	-	-
Interest expense	578	667	66	78
Actuarial gains and losses due to changes in:				
Demographic assumptions	(448)	-	-	-
Economic assumption changes	(93)	1,648	16	125
Changes in asset ceiling, excluding amounts included in interest expense	-	(138)	-	-
Benefits paid	(777)	(872)	(138)	(137)
Total defined benefit obligation - End of year	**13,441**	**13,973**	**1,422**	**1,478**

	Defined benefit pension plans		**Medical benefit plans**	
Change in plan assets	**2015** $	**2014** $	**2015** $	**2014** $
Fair value - beginning of year	12,408	12,100	-	-
Interest income	116	965	-	-
Employer contributions	198	227	138	137
Plan expenses	(20)	(12)	-	-
Benefits paid	(777)	(872)	(138)	(137)
Total fair value of plan assets - End of year	**11,925**	**12,408**	-	-
Net defined benefit (liability) recognised in statement of financial position	**(1,516)**	**(1,565)**	**(1,422)**	**(1,478)**

Amounts recognised in respect of these defined benefit plans:

	Defined benefit pension plan		**Medical benefit plans**	
Net benefit cost recognised in Statement of Income	**2015** $	**2014** $	**2015** $	**2014** $
Current service cost	208	178	-	-
Interest expense	578	667	66	78
Expected return on plan assets	(531)	(669)		
Administrative expense	20	12	-	-
Total net benefit cost	**275**	**188**	**66**	**78**

(in thousands of Bermuda dollars)

Remeasurement effects recognised in OCI	**Defined benefit pension plan 2015 $**	**2014 $**	**Medical benefit plans 2015 $**	**2014 $**
Return on plan assets (excluding amounts included in interest income)	415	(297)	-	-
Actuarial gains and losses due to change in:				
Demographic assumptions	(448)	-	-	-
Financial assumptions	(93)	1,648	16	125
Adjustments for restrictions on the defined benefit asset	-	(138)	-	-
Components of defined benefits cost recorded in OCI	(126)	1,213	16	125
Total remeasurement effect	**149**	**1,401**	**82**	**203**

The service cost and the net-interest expense for the year is included in pension costs in operating expenses in the statement of income. The re-measurement on the net defined benefit liability is included in the statement of comprehensive income as part of other comprehensive income.

Asset allocation

The asset allocation by major category for the defined benefit pension plan is as follows:

	2015 Quoted $	**Unquoted $**	**Total $**	**2014 Quoted $**	**Unquoted $**	**Total $**
Equity instruments	1,690	-	1,690	1,780	-	1,780
Fixed income instruments	8,935	-	8,935	8,142	-	8,142
Real estate	-	1,126	1,126	-	1,208	1,208
Other	-	174	174	-	1,278	1,278
TOTAL Asset allocation	**10,625**	**1,300**	**11,925**	**9,922**	**2,486**	**12,408**

Pension and medical plan assets include the Company's parent ordinary shares with a fair value of $943 (2014 - $993).

Risk

Through its defined benefit pension plans and post-employment medical plans, the Company is exposed to a number of risks, the most significant are detailed below:
Changes in fixed income securities yields – a decrease in corporate fixed income securities yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' fixed income securities holdings.

Life expectancy – The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant where inflationary increases result in higher sensitivity to changes in life expectancy.

Inflation risk – The pension obligation is linked to inflation, and higher inflation will lead to higher liabilities. The majority of the plans' assets are either unaffected by (fixed interest bonds) or loosely correlated with equities inflation, meaning that an increase in inflation will also increase the deficit of the plan.

(in thousands of Bermuda dollars)

As the Company's defined benefit plans are closed to new entrants, the volatility associated with future service accruals for active members has been limited and will decline over time.

Actuarial assumptions

The significant weighted-average assumptions as of 31 December 2015 and 2014 are:

	Defined benefit pension plan		Medical benefit plans	
	2015 %	2014 %	2015 %	2014 %
Benefit cost during the year:				
Discount rate	3.75	3.50	3.25	3.25
Rate of compensation increase	2.25	2.00	-	-
Medical claims inflation*	-	-	6.50	6.50
Defined benefit obligation at end of year:				
Discount rate	3.50	3.50	3.25	3.25
Compensation increase	3.00	3.00	-	-
Medical claims inflation*	-	-	6.50	6.50

**The medical claims inflation trend used to measure the cost and obligation was 6.5% per annum until 2018 and 4.5% thereafter*

The expected return on assets assumption for pension cost purposes is the weighted average of expected long-term asset return assumptions by asset class, and is selected from a range of possible future asset returns.

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. As the defined benefit plans are closed to new entrants, these assumptions translate into an average life expectancy in years for a pensioner who retired at age 65:

	Defined benefit pension plan		Medical benefit plans	
	2015 in years	2014 in years	2015 in years	2014 in years
Male	19.99	19.92	19.99	19.92
Female	22.25	22.21	22.25	22.21

Significant judgment is used in setting the assumptions used to calculate the Company's retirement benefit obligations. The sensitivity analyses have been determined based on reasonably possible changes of the significant assumptions occurring at the end of the reporting period. Changes in trend rate assumptions by 1% either direction will change the retirement benefit obligation as follows:

	Defined benefit pension plan		Medical Benefit Plans	
	Increase 2015 $	Decrease 2015 $	Increase 2015 $	Decrease 2015 $
Discount rate	1,484	1,817	126	148
Salary increase	188	169	137	120
Average life expectancy	330	330	83	80

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, and change in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(in thousands of Bermuda dollars)

For the funded plans, the Company ensures that the investment positions are managed with an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. The Company's ALM objective is to match assets to the pensions obligation by investing in long-term fixed interest securities with maturities that match the benefits payments as they fall due. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Company has not changed the process used to manage its risk from previous periods. Investments are well diversified, such that failure of any single investment would not have a material impact on the overall level of assets.

The funding requirements are based on a local actuarial measurement framework. In this framework the discount rate is set on a risk free rate. Furthermore, premiums are determined on a current salary base. Additional liabilities stemming from past service due to salary increase should be paid immediately to the fund.

Expected contributions to post-employment benefit plans for the year ending 2016 are $694.

The weighted average duration of the defined benefit obligation is 12.28 years.

The weighted average duration of the medical obligation is 9.65 years.

17. INVESTMENT CONTRACT LIABILITIES

The composition of investment contract liabilities and the movement in liabilities are shown below:

	2015 $	2014 $
Guaranteed interest pension	283,536	278,540
Term certain annuities	2,888	3,004
Total Investment contract liabilities	**286,424**	**281,544**

	2015 $	2014 $
At 1 January	281,544	280,066
Pension contributions	38,692	42,378
Interest credited	3,287	3,133
Benefits paid	(27,776)	(42,263)
Management fees deducted	(249)	(148)
Net transfers out	(9,074)	(1,622)
At 31 December	**286,424**	**281,544**

18. INSURANCE CONTRACT LIABILITIES

A. Assumptions and methodologies

The nature of life and health insurance business is such that a number of assumptions are made in compiling these financial statements. Assumptions are made about investment returns, mortality rates, lapse rates, morbidity, expenses, and premium payment patterns in connection with the in-force policies for each business unit. Assumptions are best estimates based on historic and expected experience of the business.

The valuation of liabilities was performed using CALM. In some instances approximations are used due to the nature of liabilities. The approximations are not expected to change the results materially. Best estimate assumptions were generally based on industry and company experience. Provisions for adverse deviations ("PfADs") were determined by applying appropriate margins for adverse deviations ("MfADs") to the best estimate assumptions. A variety of factors are considered in the Company's valuation techniques, such as yield curve, credit spreads, and default assumptions, which have market observable inputs.

Investment Returns

With the exception of assets backing certain participating liabilities, assets are not formally segmented by line of business or product line. Invested assets are notionally segmented to support the actuarial liabilities valued under CALM. For each segment the future cash flows from insurance and investment contracts and the assets supporting them are projected under a number of interest rate scenarios some of which are prescribed for CALM under Canadian Actuarial Standards of Practice or an approximation of CALM. Both current assets and future reinvestment consider credit / asset default risk (assumed to earn a credit spread (including appropriate default provision), above the risk-free Treasury yield based on current and future expected market conditions). U.S. Treasury and Agency bonds were assigned no risk default charge. Other asset defaults were based on industry experience.

Morbidity

Morbidity refers to the likelihood that an insured will contract or develop any number of illnesses. The Company's portfolio of group and individual health business is large enough for an internal analysis of lag and is used as the basis for setting annually renewable premiums. A very small block of individual disability assumes industry standard morbidity rates.

Mortality

Mortality refers to the rates at which death is expected to occur for defined classes of insured. Management reviews the Company's mortality experience annually, however, the Company's portfolio of business is too small to form the basis for any internally produced mortality assumption. The Company's mortality assumption is based on industry experience. The assumed mortality rates for life insurance contracts do not reflect any future improvement. For life contingent annuities, the assumed mortality assumption includes future mortality improvement, the effect of which is to increase insurance contract liabilities, based on prescribed mortality improvement rates promulgated by the Canadian Actuarial Standards Board ("ASB").

Lapse

The best estimate lapse assumption is based on a combination of industry and the Company's lapse experience and pricing assumptions for newer products.

Expenses

Actuarial liabilities provide for future administrative policy-related expenses. These include the costs of premium collection, claims adjudication and processing, related consulting services, preparation and mailing of policy statements and related indirect expenses and overheads. A unit expense study is performed annually to determine an appropriate estimate of future expenses by liability type. An inflation assumption is incorporated in the estimate of future expenses consistent with the interest rate scenarios projected under CALM.

(in thousands of Bermuda dollars)

Premium payment patterns

Universal life liabilities are sensitive to the amount of discretionary premium received from the policyholders. A premium persistency assumption is made for all universal life products and can vary by plan, age and policy duration.

B. Composition of insurance contract liabilities

	2015 $	2014 $
Gross		
Life and health insurance contracts:		
Participating		
Individual life	29,606	31,504
Non-participating		
Individual life	17,719	18,909
Individual and group annuities	98,299	98,236
Group life	8,281	7,243
Health and accident	15,700	18,967
Total insurance contract liabilities – gross	**169,605**	**174,859**
Net		
Life and health insurance contracts:		
Participating		
Individual life	31,219	32,948
Non-participating		
Individual life	20,680	21,435
Individual and group annuities	98,299	98,236
Group life	6,001	5,495
Health and accident	15,701	18,968
Total insurance contract liabilities – net	**171,900**	**177,082**

(in thousands of Bermuda dollars)

C. Changes in life and health insurance contract liabilities

	2015			2014		
	Gross	Ceded	Net	Gross	Ceded	Net
Provision for policy benefits	170,288	2,223	172,511	155,513	246	155,759
Claims payable	4,230	-	4,230	4,482	-	4,482
Provision for participating policy holders	341	-	341	(399)	-	(399)
Life and health insurance contract liabilities - 1 January	**174,859**	**2,223**	**177,082**	**159,596**	**246**	**159,842**
Change in provision for policy benefits						
Aging and changes in balances	3,735	(52)	3,683	2,036	(340)	1,696
Changes in assumptions:						
Investment returns	(6,583)	126	(6,457)	11,422	1,529	12,951
Mortality	738	(13)	725	1,796	289	2,085
Lapse	325	(28)	297	357	57	414
Expense	(2,006)	35	(1,971)	(60)	(10)	(70)
Other	(231)	4	(227)	(279)	(45)	(324)
Other changes	-	-	-	(497)	497	-
	(4,022)	72	(3,950)	14,775	1,977	16,752
Provision for policy benefits	166,266	2,295	168,561	170,288	2,223	172,511
Claims payable	3,481	-	3,481	4,230	-	4,230
Provision for participating policyholders	(142)	-	(142)	341	-	341
Life and health insurance contract liabilities – 31 December	**169,605**	**2,295**	**171,900**	**174,859**	**2,223**	**177,082**

The majority of the fair value of future policy benefits is determined by reference to the fair value of the assets supporting those liabilities. As assets supporting future policy benefits are reported at fair value on the statement of financial position, the change in the value of those assets would be largely offset by a change in the value of liabilities, where the duration of the assets and liabilities are closely matched, resulting in limited changes to surplus.

D. Composition of the assets supporting liabilities

The composition of the assets supporting life and health insurance contract liabilities is as follows:

	2015			
	Fixed income securities $	**Mortgages and loans** $	**Cash & Equivalents** $	**Total** $
Participating				
Individual life	27,473	2,587	1,158	31,218
Non-participating				
Individual life	12,016	8,001	617	20,634
Individual and group annuities	59,037	39,309	-	98,346
Group life	1,973	1,314	2,714	6,001
Health and accident	5	4	15,692	15,701
	100,504	**51,215**	**20,181**	**171,900**

(in thousands of Bermuda dollars)

	2014			
	Fixed income securities $	Mortgages and loans $	Cash & Equivalents $	Total $
Participating				
Individual life	29,120	2,941	887	32,948
Non-participating				
Individual life	14,448	6,911	76	21,435
Individual and group annuities	66,451	31,785	-	98,236
Group life	2,065	987	2,443	5,495
Health and accident	9	4	18,955	18,968
	112,093	**42,628**	**22,361**	**177,082**

19. SHARE CAPITAL

	2015 $	2014 $
Authorised, issued and fully paid - 2,500,000 (2014 – 2,500,000) common share of par value of $1 each	**2,500**	**2,500**

Common shares in issue in the Company rank pari passu with any new common shares issued in the Company. All the common shares in issue carry the same right to receive all dividends and other distributions declared, made or paid by the Company.

20. COMMISSION AND OTHER INCOME

This includes commission earned from reinsurers and fee income from the management of segregated funds' assets, pension administration and investment management services.

	2015 $	2014 $
Fees earned from management of insurance contracts	1,275	127
Fees earned from management of investment contracts	67	67
Pension administration income	5,601	5,407
Fee income	784	1,053
IT asset usage recharge	249	86
Total	**7,976**	**6,740**

(in thousands of Bermuda dollars)

21. INSURANCE CONTRACTS BENEFITS AND EXPENSES

	2015 $	2014 $
Gross life and health claims and benefits paid	94,670	94,050
Reinsurance recoveries	(5,223)	(3,635)
Change in insurance contract liabilities	(4,022)	14,775
Change in reinsurance assets	72	1,977
Total insurance contracts benefits and expenses	**85,497**	**107,167**

22. OPERATING EXPENSES

	2015 $	2014 $
Wages and salaries	12,396	11,483
Professional and consulting fees	1,890	2,557
Pension retirement costs	677	613
Advertising and business development	1,045	679
Bank charges and foreign currency purchase tax	358	675
IT maintenance contracts	302	381
Office rent, building and utilities costs	1,133	927
IT Intercompany recharges	3,478	3,955
Share expenses	516	509
Compliance, legal, and regulatory	615	441
Other	1,701	2,149
Total	**24,111**	**24,369**

23. RELATED PARTIES

Key management personnel have been defined as the executive team and the Board of Directors of the Company. The following transactions were carried out with key management:

A. Sales of insurance contracts and other services

	2015 $	2014 $
Sales of insurance contracts and pension services:		
- Key management	36	23
Purchase of services:		
- Key management	-	63

(in thousands of Bermuda dollars)

B. Key management compensation

The following table shows compensation to key management:

	2015 $	2014 $
Salaries and other short-term employee benefits	1,001	1,380
Post-employment benefits	35	38
Other long-term benefits	3	5
Share based payments	283	275
Total	**1,322**	**1,698**

C. Loans to related parties

Loans are extended to key management of the Company (and their families) and to companies related to key management. These loans are collateralised by the property acquired with the proceeds of the loan. Mortgage terms are typically no more than 20 years in duration and interest rates are consistent with rates charged by the Company to non-related parties.

	2015 $	2014 $
At beginning of year	384	6,754
Loans (repayments) / advances	(61)	(50)
Adjustment for changes in key management	-	(6,345)
Interest charges	23	25
At end of year	**346**	**384**

D. Related party transactions

i) Included in revenue and expenses for the year ended 31 December 2015 are:

(i) Interest income of $38 (2014 – $63) from a loan to Hamilton Financial Limited.

(ii) Corporate recharges direct from the Parent company of $8,178 (2014 – $7,682).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(in thousands of Bermuda dollars)

ii) At the end of the year, the amounts due to or from related parties are:

	2015 $	2014 $
Due from related parties:		
Direct Parent company	-	3,543
Wholly-owned subsidiaries of the Parent company	4,353	14,714
Partially-owned subsidiaries of the Parent company	382	276
	4,735	**18,533**
Due to related parties:		
Wholly-owned subsidiaries of the Parent company	**11,756**	**4,910**

Included in amounts due to or from the Parent company or wholly-owned subsidiaries of the Parent company at 31 December 2015 are:

a. Advances to the Parent Company of $nil (2014 – $3,543) are interest free and are repayable upon demand. These advances will be forgiven as dividends are declared to the Parent Company.

b. A loan to Hamilton Financial Limited of $1,800 (2014 – $3,025), which was to assist in the acquisition of a 51.71% interest in the Insurance Corporation of Barbados Limited. The loan earns interest at 1.5% above the LIBOR rate, due quarterly in arrears. The loan is payable upon demand.

All remaining amounts due from and to affiliated companies arise during the normal course of business, are non-interest bearing and are repayable upon demand.

24. COMPONENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS

	2015 $	2014 $
Items that will not be reclassified to profit or loss:		
Re-measurement of post-employment benefit obligations:	(2,765)	(2,875)
Total	**(2,765)**	**(2,875)**

(in thousands of Bermuda dollars)

25. COMMITMENTS AND CONTINGENCIES

A. Operating leases

The Company has entered into various commercial leases with renewable options on office space. During the year-end 31 December 2015 and 2014, an amount of $651 and $499 respectively, was recognised in the statement of income. The future minimum lease payments payable under non-cancellable leases are as follows:

	2015 $	2014 $
No later than 1 year	585	281
Later than 1 year and no later than 5 years	1,809	336
Later than 5 years	-	-
TOTAL	**2,394**	**617**

B. Commitments

The Group has commitments made in the normal course of business that are to be disbursed upon fulfilment of certain contract conditions. $175 is payable in 2016 and $175 is payable in 2017 to fulfil these contracts.

C. Contingencies

The Company are from time to time subject to legal actions arising in the normal course of business. It is inherently difficult to predict the outcome of any of these proceedings with certainty and it is possible that an adverse resolution could have a material adverse effect on the consolidated financial statements of the Company. However, based on information presently known, management does not expect that it is probable that the outcome of existing legal action, relating to an interpretation of contract terms, will have a material adverse effect on the consolidated financial position of the Group. Actual results could differ from management's best estimates.

26. COMPARATIVE FIGURES

Certain of the 2014 comparative figures have been reclassified to conform to the presentation adopted for 2015. See note 4.

All other reclasses were not considered significant.