SAGICOR LIFE (EASTERN CARIBBEAN) INC.

Financial Statements
December 31, 2017
(expressed in Eastern Caribbean dollars)

SAGICOR LIFE (EASTERN CARIBBEAN) INC.
INDEX TO THE FINANCIAL STATEMENTS

As of December 31, 2017

pwc

Independent auditors' report

To the Board of Directors Sagicor Life (Eastern Caribbean) Inc.

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly in all material respects, the financial position of Sagicor Life (Eastern Caribbean) Inc ("the company") as at December 31, 2017, and its financial performance and its cash flow for the year then ended in accordance with International Financial reporting Standards (IFRS).

What we have audited

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

Basis for opinion

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

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

Independence

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

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

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

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

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

Registered office: PricewaterhouseCoopers East Caribbean, 20 Micoud Street, Castries, St. Lucia, West Indies

Head office: PricewaterhouseCoopers East Caribbean, The Financial Services Centre, Bishop's Court Hill, P.O. Box 111, St. Michael, BB14004, Barbados, West Indies
T: +(246) 626-6700, F: +(246) 436-1275 www.pwc.com/bb

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

Other matter

Our report dated May 10, 2018 on the financial statement of the Company for the year ended December 31, 2017, was prepared for and only for the Company in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving that opinion accept or assume responsibility for any other purpose or to any other person to whom that report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

Chartered Accountants
Castries, St. Lucia
May 10, 2018

SAGICOR LIFE (EASTERN CARIBBEAN) INC.
STATEMENT OF FINANCIAL POSITION
As of December 31, 2017 **Amounts expressed in EC $000**

	Notes	2017	2016
ASSETS			
Financial investments	4	4,095	3,634
Miscellaneous assets and receivables	5	17	-
Cash resources	10	1,597	1,596
Total assets		**5,709**	**5,230**
LIABILITIES			
Income tax liabilities	6	30	17
Accounts payable and accrued liabilities	7	739	205
Total liabilities		769	222
EQUITY			
Share capital	8	5,000	5,000
(Accumulated Deficit)/Retained Earnings		(60)	8
Total shareholder's equity		4,940	5,008
Total liabilities and equity		**5,709**	**5,230**

These financial statements have been approved for issue by the Board of Directors on May 9, 2018.

Director

Director

SAGICOR LIFE (EASTERN CARIBBEAN) INC.
STATEMENT OF COMPREHENSIVE INCOME

As of December 31, 2017 **Amounts expressed in EC $000**

	Notes	2017	2016
REVENUE			
Net investment income from external parties	9	189	81
EXPENSES			
Administrative expenses		195	56
(LOSS)/INCOME BEFORE TAXES		(6)	25
Income taxes		(62)	(17)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(68)**	**8**
TOTAL COMPREHENSIVE (LOSS)/INCOME IS ATTRIBUTABLE TO:			
Common shareholder		(68)	8
		(68)	**8**

STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2017 **Amounts expressed in EC $000**

	Share capital	**Retained earnings/ (Accumulated Deficit)**	**Total**
2017	**Note 8**		
Balance, beginning of year	5,000	8	5,008
Total comprehensive loss	-	(68)	(68)
Balance, end of year	5,000	(60)	4,940

	Share capital	**Retained earnings**	**Total**
2016	**Note 8**		
Balance, beginning of year	5,000	-	5,000
Total comprehensive income	-	8	8
Balance, end of year	5,000	8	5,008

STATEMENT OF CASH FLOWS

Year ended December 31, 2017 **Amounts expressed in EC $000**

	Notes	2017	2016
OPERATING ACTIVITIES			
Income before taxes		(6)	25
Adjustments for non-cash items, interest	10.1	(189)	(85)
Interest received		178	85
Income tax paid		(49)	-
Changes in operating assets	10.1	(467)	(3,476)
Changes in operating liabilities	10.1	534	47
Net cash flows - operating activities		1	(3,404)
FINANCING ACTIVITIES			
Proceeds from issue of shares		-	-
Net cash flows - financing activities		-	-
Effects of exchange rate changes		-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS		1	(3,404)
Cash and cash equivalents, beginning of year		1,596	5,000
CASH AND CASH EQUIVALENTS, END OF YEAR	10.2	1,597	1,596

1. INCORPORATION AND PRINCIPAL ACTIVITIES

Sagicor Life (Eastern Caribbean) Inc. was incorporated on October 10, 2014 under the Companies Act of Saint Lucia. Sagicor Life (Eastern Caribbean) Inc. is a wholly owned subsidiary of Sagicor Financial Corporation Limited.

The registered office of Sagicor Life (Eastern Caribbean) Inc. is located in the Sagicor Financial Centre, Choc Estate, Castries, Saint Lucia.

The principal activities of Sagicor Life (Eastern Caribbean) Inc. are life and health insurance and annuities.

The Company is currently licensed to operate in St. Lucia.

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

These financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS).

The Company has adopted accounting policies for the computation of actuarial liabilities on life insurance and annuity contracts using approaches consistent with Canadian accepted actuarial standards. As no specific guidance is provided by IFRS for computing actuarial liabilities, management has judged that Canadian accepted actuarial standards should continue to be applied. The adoption of IFRS 4 – insurance contracts, permits the Company to continue with this accounting policy, with the modification required by IFRS 4 that rights under reinsurance contracts are measured separately.

The financial statements are prepared under the historical cost convention except as modified by the revaluation of investment property, owner-occupied property, available for sale investment securities, financial assets and liabilities held at fair value through income, actuarial liabilities and associated reinsurance assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas when assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

All amounts in these financial statements are shown in Eastern Caribbean dollars, unless otherwise stated.

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Amendments to IFRS

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2017, and have not been applied in preparing these financial statements (see note 2.14). There are no new standards, amendments to standards and interpretations effective for this financial year that have a significant effect on these financial statements.

2.2 Foreign currency translation

(a) Functional and presentational 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). The financial statements are presented in Eastern Caribbean dollars, which is the Company's presentational currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses, which result from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Non-monetary assets and liabilities are maintained at the transaction rates of exchange.

2. ACCOUNTING POLICIES (continued)

2.3 Financial assets

(a) Classification

The Company classifies its financial assets into four categories:

- held to maturity financial assets;
- available for sale financial assets;
- financial assets at fair value through income;
- loans and receivables.

Management determines the appropriate classification of these assets on initial recognition.

Held to maturity financial assets are non-derivative financial instruments with fixed or determinable payments and fixed maturities that management has both the intent and ability to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financial assets in the category at fair value through income comprise designated assets or held for trading assets. These are set out below.

- Assets designated by management on acquisition form part of managed portfolios whose performance is evaluated on a fair value basis in accordance with documented investment strategies. They comprise investment portfolios backing deposit administration and unit linked policy contracts for which the full return on the portfolios accrue to the contract-holders.

- Held for trading securities are acquired principally for the purpose of selling in the short-term or if they form part of a portfolio of financial assets in which there is evidence of short-term profit taking. Derivatives are also classified as held for trading unless designated as hedges.

Available for sale financial assets are non-derivative financial instruments intended to be held for an indefinite period of time and which may be sold in response to liquidity needs or changes in interest rates, exchange rates and equity prices.

2. ACCOUNTING POLICIES (continued)

2.3 Financial assets (continued)

(b) Recognition and measurement

Purchases and sales of financial investments are recognised on the trade date. Interest income arising on investments is accrued using the effective yield method. Dividends are recorded in revenue when due.

Held to maturity assets and loans and receivables are carried at amortised cost less provision for impairment.

Financial assets in the category at fair value through income are measured initially at fair value and are subsequently re-measured at their fair value based on quoted prices or internal valuation techniques. Realised and unrealised gains and losses are recorded as net gains in investment income. Interest and dividend income are recorded under their respective heads in investment income. Interest income on financial assets at fair value through income is calculated using the effective interest rate method.

Financial assets in the available for sale category are measured initially at fair value and are subsequently re-measured at their fair value based on quoted prices or internal valuation techniques. Unrealised gains and losses, net of deferred income taxes, are reported in other comprehensive income. Either on the disposal of the asset or if the asset is determined to be impaired, the previously recorded unrealised gain or loss is transferred to investment income. Discounts and premiums on available for sale securities are amortised using the effective yield method.

(c) Fair value

Fair value amounts represent the price (or estimates thereof) that would be agreed upon in an orderly transaction between market participants at valuation date.

(d) Impaired financial assets

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount.

An impairment loss for assets carried at amortised cost is calculated as the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate. The carrying value of impaired financial assets is reduced by impairment losses.

The recoverable amount for an available for sale equity security is its fair value.

For an available for sale equity security or investment in an associated company, an impairment loss is recognised in income if there has been a significant or prolonged decline in its fair value below its cost. Determination of what is significant or prolonged requires judgement which includes consideration of the volatility of the fair value, and the financial condition and financial viability of the investee. In this context, management considers a 40% decline in fair value below cost to be significant and a decline that has persisted for more than twelve months to be prolonged. Any subsequent increase in fair value occurring after the recognition of an impairment loss is reported in other comprehensive income.

2. ACCOUNTING POLICIES (continued)

2.3 Financial assets (continued)

(d) Impaired financial assets (continued)

For an available for sale security other than an equity security, if the Company assesses that there is objective evidence that the security is impaired, an impairment loss is recognised for the amount by which the instrument's amortised cost exceeds its fair value. If in a subsequent period the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of the reversal is recognised in revenue.

(e) Embedded derivatives

The Company holds certain bonds and preferred equity securities that contain options to convert into common shares of the issuer. These options are considered embedded derivatives.

If the measurement of an embedded derivative can be separated from its host contract, the embedded derivative is carried at current market value and is presented with its related host contract. Unrealised gains and losses are recorded as investment income.

If the measurement of an embedded derivative cannot be separated from its host contract, the full contract is accounted for as a financial asset at fair value through income.

2.4 Financial liabilities

During the ordinary course of business, the Company issues investment contracts or otherwise assumes financial liabilities that expose the Company to financial risk. The recognition and measurement of the Company's principal types of financial liabilities are disclosed in the following paragraphs.

(a) Deposit liabilities

Deposits are recognised initially at fair value and are subsequently stated at amortised cost using the effective yield method.

(b) Fair Value

Fair value amounts represent the price (or estimates thereof) that would be agreed upon in an orderly transaction between market participants at valuation date.

2. ACCOUNTING POLICIES (continued)

2.4 Financial liabilities (continued)

(c) Loans and other debt obligations

Loan obligations are recognised initially at fair value, being their issue proceeds, net of transaction costs incurred. Subsequently, loan obligations are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the loan obligations using the effective yield method.

Obligations undertaken for the purposes of financing operations and capital support are classified as notes or loans payable and the associated cost is classified as finance costs. Loan obligations undertaken for the purposes of providing funds for on-lending, leasing or portfolio investments are classified as deposit and security liabilities and the associated cost is included in interest expense.

2.5 Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

2.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.7 Presentation of current and non-current assets and liabilities

In note 13.2, the maturity profiles of financial assets and liabilities are identified. For other assets and liabilities, balances presented in notes 4 and 7 are non-current unless otherwise stated in those notes.

2.8 Interest income and expense

Interest income and expenses are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the initial transaction price. Interest includes coupon interest and accrued discount and premium on financial instruments.

2.9 Fees and other revenues

Fees and non-insurance commission income are recognised on an accrual basis when the service has been provided. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. Performance linked fees or fee components are recognised when the performance criteria are fulfilled. Other revenue is recognised on an accrual basis when the related service has been provided.

2. ACCOUNTING POLICIES (continued)

2.10 Taxes

(a) Income taxes

The Company is subject to taxes on income in the jurisdictions in which business operations are conducted. Rates of taxation in the Eastern Caribbean for the current year are set out in the next table:

Income tax rates	**Life insurance and non-registered annuities**	**Registered annuities**	**Other lines of business**
Eastern Caribbean	10% - 35% of net investment income	Nil	25%-35% of net income

Current income taxes

Current tax is the expected tax payable on the taxable income for the year, using the tax rates in effect for the year. Adjustments to tax payable from prior years are also included in current tax.

2.11 Common shares

(a) Common shares

In exchange for consideration received, the Company has issued common shares that are classified as equity. Incremental costs directly attributable to the issue of common shares are recorded in share capital as a deduction from the share issue proceeds.

(b) Dividends

On the declaration by the Company's directors of common share dividends payable, the total value of the dividend is recorded as an appropriation of retained earnings.

2.12 Statutory reserves

Statutory reserves are established when regulatory accounting requirements result in lower distributable profits or when an appropriation of retained earnings is required or permitted by law to protect policyholders, insurance beneficiaries or depositors.

2. ACCOUNTING POLICIES (continued)

2.13 Cash flows

The following classifications apply to the statement of cash flow.

Cash flows from operating activities consist of cash flows arising from revenues, benefits, expenses, taxes, operating assets and operating liabilities. Cash flows from investing activities consist of cash flows arising from long-term tangible and intangible assets to be utilised in the business and in respect of changes in subsidiary holdings, insurance businesses, and associated company and joint arrangement investments. Cash flows from financing activities consist of cash flows arising from the issue, redemption and exchange of equity instruments and notes and loans payable and from equity dividends payable to holders of such instruments.

Cash and cash equivalents comprise:

- cash balances,
- call deposits,
- other liquid balances with maturities of three months or less from the acquisition date,
- less bank overdrafts which are repayable on demand,
- less other borrowings from financial institutions made for the purpose of meeting cash commitments and which have maturities of three months or less from origination.

Cash equivalents are subject to an insignificant risk of change in value and excluded restricted cash.

2. ACCOUNTING POLICIES (continued)

2.14 Future accounting developments and reporting changes

Certain new standards and amendments to existing standards have been issued but are not effective for the periods covered by these financial statements. The changes in standards and interpretations which may have a significant effect on future presentation, measurement or disclosure of the Company's financial statements are summarised in the following tables.

IFRS (Effective Date)	**Subject/Comments**
IFRS 9 – Financial Instruments (January 1, 2018)	IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. The standard is effective for accounting periods beginning on or after January 1, 2018. IFRS 9 replaces the guidance in IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVPL"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL. Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. Management is in the process of assessing how the Company's business model will impact the classification and measurement of financial assets in scope of IFRS 9. An Implementation Committee was created to oversee the implementation project. The project involves three phases: • Phase 1: Key decisions; this includes identification of key decisions, deciding on the measurement and classification for all products, determining stage migration and cure rate thresholds;

2. ACCOUNTING POLICIES (continued)

2.14 Future accounting developments and reporting changes (continued)

IFRS (Effective Date)	Subject/Comments
IFRS 9 – Financial Instruments (January 1, 2018) (continued)	• Phase 2: Assessing availability of data, defining and determining detailed credit modelling methodology based on available data, resources and infrastructure, defining and developing methodology to estimate unadjusted credit losses and defining methodology to incorporate forward looking information; • Phase 3: Implementation; this includes finalizing forward-looking information, applying multiple scenarios and determining the weight for each scenario to calculate the expected credit losses ("ECL"). Currently management has completed Phase 1 and Phase 2 and management is in the process of completing Phase 3. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income. The new standard is not expected to impact the Company's financial liabilities as there are no financial liabilities which are currently designated at fair value through profit or loss without off-setting assets carried at fair value. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The new standard relating to hedge accounting is not expected to impact the Company's financial statements, as the Company does not use hedge accounting. The impairment requirements apply to financial assets measured at amortised cost and FVOCI, lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, an allowance is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment are considered to be in default or otherwise credit impaired are in 'stage 3'.

2. ACCOUNTING POLICIES (continued)

2.14 Future accounting developments and reporting changes (continued)

IFRS 9 – Financial Instruments (January 1, 2018) (continued)	The assessment of whether credit risk has increased significantly since initial recognition is performed on an ongoing basis by considering the change in the risk of default occurring over the remaining life of the financial instrument, rather than by considering an increase in ECL. The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Company compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Company's existing risk management processes. At each reporting date, the assessment of a change in credit risk will be individually assessed for those considered individually significant. This assessment is symmetrical in nature, allowing credit risk of financial assets to move back to Stage 1 if the increase in credit risk since origination has reduced and is no longer deemed to be significant. When measuring ECL, the Company must consider the maximum contractual period over which the Company is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Company is exposed to credit risk and where the credit losses would not be mitigated by management actions. The objective of the impairment requirements is to recognize lifetime expected credit losses for all financial instruments for which there have been a significant increases in credit risk since initial recognition – whether assessed on an individual or collective basis – considering all reasonable and supportable information, including that which is forward looking. The ECL is required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forward looking information specific to the counterparty as well as forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39. It will also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39. Any adjustment on initial adoption of this standard will impact retained earnings. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

2. ACCOUNTING POLICIES (continued)

2.14 Future accounting developments and reporting changes (continued)

IFRS (Effective Date)	Subject/Comments
IFRS 15 - Revenue from contracts with customers (January 1, 2018)	The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue can be recognised: • identify contracts with customers • identify the separate performance obligation • determine the transaction price of the contract • allocate the transaction price to each of the separate performance obligations, and • recognise the revenue as each performance obligation is satisfied. Key changes to current practice are: • Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. • Revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) –minimum amounts must be recognised if they are not at significant risk of reversal. • The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa. • There are new specific rules on licenses, warranties, nonrefundable upfront fees and, consignment arrangements, to name a few. • As with any new standard, there are also increased disclosures. These accounting changes may have flow-on effects on the entity's business practices regarding systems, processes and controls, compensation and bonus plans, contracts, tax planning and investor communications. Entities will have a choice of full retrospective application, or prospective application with additional disclosures. The Company's primary activity is insurance. Insurance product revenue recognition is defined in IFRS 4.

2. ACCOUNTING POLICIES (continued)

2.14 Future accounting developments and reporting changes (continued)

IFRS (Effective Date)	**Subject/Comments**
IFRS 16 - Leases (January 1, 2019)	IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group is yet to fully assess the impact of this standard.
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4 (January 1, 2018)	In September 2016, the IASB published an amendment to IFRS 4 which addresses the concerns of insurance companies about the different effective dates of IFRS 9 Financial instruments and the forthcoming new insurance contracts standard. The amendment provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level), and the ‘overlay approach’. Both approaches are optional. The Group has assessed its eligibility for deferral and has concluded that it will adopt IFRS 9 on January 1, 2018. IFRS 4 (including the amendments) will be superseded by the forthcoming new insurance contracts standard. Accordingly, both the temporary exemption and the ‘overlay approach’ are expected to cease to be applicable when the new insurance standards becomes effective. The overlay approach will give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued. The Company is currently assessing the impact of this approach on its financial statements.

Year ended December 31, 2017 Amounts expressed in EC $000

2. ACCOUNTING POLICIES (continued)

2.14 Future accounting developments and reporting changes (continued)

Annual improvements 2014-2016 cycle (January 1, 2018)	The following improvements were finalised in December 2016: • IFRS 1 - deleted short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant. • IAS 28 - clarifies that the election by venture capital organisations, mutual funds, unit trusts and similar entities to measure investments in associates or joint ventures at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition. The Company does not expect the adoption of these improvements to have any material impact.
Interpretation 22 Foreign Currency Transactions and Advance Consideration (January 1, 2019)	The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. Entities can choose to apply the interpretation: • retrospectively for each period presented • prospectively to items in scope that are initially recognised on or after the beginning of the reporting period in which the interpretation is first applied, or • prospectively from the beginning of a prior reporting period presented as comparative information. The Company is yet to assess the impact of this interpretation.

2. ACCOUNTING POLICIES (continued)

2.14 Future accounting developments and reporting changes (continued)

IFRS (Effective Date)	Subject/Comments
IFRS 17 Insurance Contracts (January 1, 2021)	IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of: • discounted probability-weighted cash flows • an explicit risk adjustment, and • a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9 An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. The Company is yet to assess the impact of IFRS 17.

2. ACCOUNTING POLICIES (continued)

2.14 Future accounting developments and reporting changes (continued)

Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture. The amendments apply prospectively. ** In December the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

Year ended December 31, 2017 Amounts expressed in EC $000

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The development of estimates and the exercise of judgment in applying accounting policies may have a material impact on the Company's reported assets, liabilities, income and expenses.

3.1 Impairment of financial assets

An available for sale debt security, a loan or a receivable is considered impaired when management determines that it is probable that all amounts due according to the original contract terms will not be collected. This determination is made after considering the payment history of the borrower, the discounted value of collateral and guarantees, and the financial condition and financial viability of the borrower.

The determination of impairment may either be considered by individual asset or by a grouping of assets with similar relevant characteristics.

4. FINANCIAL INVESTMENTS

4.1 Analysis of financial investments

	December 31, 2017		December 31, 2016	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Loans and receivables:				
Debt securities	3,744	3,776	3,484	3,541
Deposits	351	351	150	150
Total financial investments	4,095	4,127	3,634	3,691

	2017	2016
Debt securities comprise:		
Government and government guaranteed debt securities	3,744	3,484

Deposits include $351 (2016 - $150) placed with CIBC First Caribbean International Bank. These bear interest at 0.2% per annum and have no fixed dates of repayment.

Year ended December 31, 2017 Amounts expressed in EC $000

5. MISCELLANEOUS ASSETS AND RECEIVABLES

	2017	2016
Prepaid expenses	17	-

Prepaid expenses are expected to be realised within one year of the financial statements date.

6. INCOME TAX LIABILITIES

	2017	2016
Income taxes payable	30	17

Income taxes are expected to be settled within a year of the financial statements' date.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Other accounts payable and accrued liabilities	-	3
Due to parent and affiliated companies	739	202
	739	205

Amounts due to parent company are unsecured, carry no fixed dates of repayment and are repayable in cash.

8. COMMON SHARES

The Company is authorised to issue an unlimited number of common shares issuable in series without nominal or par value.

	2017		2016	
	Number in 000's	Share Capital	Number in 000's	Share Capital
Issued and fully paid:				
Balance, beginning of year	5,000	5,000	5,000	5,000
Allotments arising from:				
New share issue	-	-	-	-
Balance, end of year	5,000	5,000	5,000	5,000

Year ended December 31, 2017 Amounts expressed in EC $000

9. NET INVESTMENT INCOME

	2017	2016
Investment income:		
Interest income	189	85
Investment expenses:		
Other direct investment expenses	-	4
Net investment income	189	81

The Company manages its financial investments by the type of financial instrument (i.e. debt securities, equity securities, mortgage loans, etc). Therefore, the income from financial instruments is presented consistently with management practice, rather than by accounting classification.

Further details of interest income are set out in the following table.

(a) Interest income

	2017	2016
Debt securities	189	84
Deposits	-	1
	189	85

Year ended December 31, 2017 Amounts expressed in EC $000

10. CASH FLOWS

10.1 Operating activities

	2017	2016
Adjustments for non-cash items, interest and dividends:		
Interest income	(189)	(85)

	2017	2016
Net (increase)/decrease in investments and operating assets:		
Debt securities	(450)	(3,484)
Other assets and receivables	(17)	8
	(467)	(3,476)

	2017	2016
Net increase / (decrease) in operating liabilities:		
Other accounts payable and accrued liabilities	(3)	3
Due to parent and affiliated companies	537	44
	534	47

10.2 Cash and cash equivalents	2017	2016
Cash resources	1,597	1,596

11. COMMITMENTS

In the normal course of business, the Company enters into commitments at balance sheet date for which no provision has been made in these financial statements. Non-cancellable commitments for loan disbursements are disclosed in note 13.1.

12. CONTINGENT LIABILITIES

(a) Legal proceedings

During the normal course of business, the Company is subject to legal actions which may affect the reported amounts of liabilities, benefits and expenses. Management considers that any liability from these actions, for which provision has not been already made, will not be material.

(b) Tax assessments

The Company is also subject to tax assessments during the normal course of business. Adequate provision has been made for all assessments received to date and for tax liabilities accruing in accordance with management's understanding of tax regulations. Potential tax assessments may be received by the Company which are in addition to accrued tax liabilities. No provisions have been made in these financial statements for such potential tax assessments.

13. FINANCIAL RISK

The Company's activities of issuing insurance contracts, of accepting funds from depositors, of investing insurance premium and deposit receipts in a variety of financial and other assets, exposes the Company to various insurance and financial risks. Financial risks include credit default, liquidity and market risks. Market risks arise from changes in interest rates, equity prices, currency exchange rates or other market factors.

The overriding objective of the Company's risk management framework is to enhance its capital base through competitive earnings growth and to protect capital against inherent business risks. This means that the Company accepts certain levels of risk in order to generate returns, and the Company manages the levels of risk assumed through enterprise wide risk management policies and procedures. Identified risks are assessed as to their potential financial impact and as to their likelihood of occurrence.

13.1 Credit risk

Credit risk is the exposure that the counterparty to a financial instrument is unable to meet an obligation, thereby causing a financial loss to the Company. Credit risks are primarily associated with financial investments.

Credit risk from financial investments is minimised through holding a diversified portfolio of investments, purchasing securities and advancing loans only after careful assessment of the borrower, obtaining collateral before advancing loans, and placing deposits with financial institutions with a strong capital base. Limits may be placed on the amount of risk accepted in relation to one borrower.

13. FINANCIAL RISK (continued)

13.1 Credit risk (continued)

The Company has developed an internal credit rating standard. The internal rating is a 10 point scale which allows for distinctions in risk characteristics and is referenced to the rating scales of international credit rating agencies. The scale is set out in the following table.

<table>
<tr><th colspan="2">Category</th><th>Sagicor Risk Rating</th><th>Classification</th><th>S&P</th><th>Moody's</th><th>Fitch</th><th>AM Best</th></tr>
<tr><td rowspan="7">Non-default</td><td rowspan="3">Investment grade</td><td>1</td><td>Minimal risk</td><td>AAA, AA</td><td>Aaa, Aa</td><td>AAA, AA</td><td>aaa, aa</td></tr>
<tr><td>2</td><td>Low risk</td><td>A</td><td>A</td><td>A</td><td>a</td></tr>
<tr><td>3</td><td>Moderate risk</td><td>BBB</td><td>Baa</td><td>BBB</td><td>bbb</td></tr>
<tr><td rowspan="2">Non-investment grade</td><td>4</td><td>Acceptable risk</td><td>BB</td><td>Ba</td><td>BB</td><td>bb</td></tr>
<tr><td>5</td><td>Average risk</td><td>B</td><td>B</td><td>B</td><td>b</td></tr>
<tr><td rowspan="2">Watch</td><td>6</td><td>Higher risk</td><td>CCC, CC</td><td>Caa, Ca</td><td>CCC, CC</td><td>ccc, cc</td></tr>
<tr><td>7</td><td>Special mention</td><td>C</td><td>C</td><td>C</td><td>c</td></tr>
<tr><td colspan="2" rowspan="3">Default</td><td>8</td><td>Substandard</td><td rowspan="3">D</td><td rowspan="3">C</td><td>DDD</td><td rowspan="3">d</td></tr>
<tr><td>9</td><td>Doubtful</td><td>DD</td></tr>
<tr><td>10</td><td>Loss</td><td>D</td></tr>
</table>

The Company applies this rating scale to three categories of exposures:

- Investment portfolios, comprising debt securities, deposits, securities purchased for re-sale, and cash balances;
- Lending portfolios, comprising mortgage, policy and finance loans and finance leases;
- Reinsurance exposures, comprising reinsurance assets for life, annuity and health insurance.

13. FINANCIAL RISK (continued)

13.1 Credit risk (continued)

The 3 default grades are used for lending portfolios while investment portfolios and reinsurance exposures use one default grade: 8.

The maximum exposures of the Company to credit risk without taking into account any collateral or any credit enhancements are set out in the following table.

	2017		**2016**	
	$000		**$000**	
Investment portfolios	5,692	100%	5,230	100%
Lending portfolios	-	-	-	-
Reinsurance assets	-	-	-	-
Total financial statement exposures	5,692	100%	5,230	100%
Loan commitments	-	-	-	-
Total off financial statement exposures	-	-	-	-
Total	5,692	100%	5,230	100%

The Company's largest exposures to individual counterparty credit risks as of December 31, 2017 and 2016 are set out below. The individual ratings reflect the rating of the counterparty listed below, while the amounts include exposures with subsidiaries of the counterparty.

13. FINANCIAL RISK (continued)

13.1 Credit risk (continued)

	Sagicor Risk Rating	2017 $'000	2016 $'000
Investment portfolios:			
Government of St. Lucia - denominated in Eastern Caribbean or United States dollars	5	3,744	3,484
CIBC FirstCaribbean International Bank	3	351	150

(a) Investment portfolios

The results of the risk rating of investment portfolios are as follows:

Investment portfolios					
Risk Rating	**Classification**	**2017 Exposure**		**2016 Exposure**	
		$000	**%**	**$000**	**%**
1	Minimal risk	-	-	-	-
2	Low risk	-	-	-	-
3	Moderate risk	351	3	150	3
4	Acceptable risk	-	-	-	-
5	Average risk	3,744	67	3,484	67
6	Higher risk	-	-	-	-
7	Special mention	-	-	-	-
8	Substandard	-	-	-	-
TOTAL RATED EXPOSURES		4,095	70	3,634	70
UN-RATED EXPOSURES		1,597	30	1,596	30
TOTAL		**5,692**	**100**	**5,230**	**100**

Investment portfolio assets are mostly unsecured except for securities purchased under agreement to resell for which title to the securities is transferred to the Company for the duration of each agreement.

13. FINANCIAL RISK (continued)

13.1 Credit risk (continued)

(b) Past due and impaired financial investments

A financial asset is past due when a counterparty has failed to make payment when contractually due.

The Company is most exposed to the risk of past due assets with respect to its financial investments namely its, debt securities.

Debt securities are assessed for impairment when amounts are past due, when the borrower is experiencing cash flow difficulties, or when the borrower's credit rating has been downgraded.

The assessment for impairment includes a review of the collateral. If the past due period is less than the trigger for impairment review, the collateral is not normally reviewed and re-assessed. Accumulated allowances for impairment reflect the Company's assessment of total individually impaired assets at the date of the financial statements. The following table sets out the carrying values of debt securities, analysed by past due or impairment status.

	Debt securities	
	2017	**2016**
Neither past due nor impaired	3,744	3,484
Past due up to 3 months, but not impaired	-	
Past due up to 12 months, but not impaired	-	-
Past due up to 5 years, but not impaired	-	-
Past due over 5 years, but not impaired	-	-
Total past due, but not impaired	-	-
Impaired assets (net of impairment)	-	-
Total carrying value	3,744	3,484
Accumulated allowances on impaired assets	-	-
Accrued interest on impaired assets	-	-

13. FINANCIAL RISK (continued)

13.2 Liquidity risk

Liquidity risk is the exposure that the Company may encounter difficulty in meeting obligations associated with financial or insurance liabilities that are settled by cash or by another financial asset. Liquidity risk also arises when excess funds accumulate resulting in the loss of opportunity to increase investment returns.

Asset liability matching is a tool used by the Company to mitigate liquidity risks particularly in operations with significant maturing short-term liabilities. For long-term insurance contracts, the Company has adopted a policy of investing in assets with cash flow characteristics that closely match the cash flow characteristics of its policy liabilities. The primary purpose of this matching is to ensure that cash flows from these assets are synchronised with the timing and the amounts of payments that must be paid to policyholders.

(a) Financial liabilities and commitments

Contractual cash flow obligations of the Company in respect of its financial liabilities and commitments are summarised in the following tables. Amounts are analysed by their earliest contractual maturity dates and consist of the contractual un-discounted cash flows. Where the interest rate of an instrument for a future period has not been determined as of the date of the financial statements, it is assumed that the interest rate then prevailing continues until final maturity.

In estimating the fair value of non-traded financial assets, the Company uses a variety of methods such as obtaining dealer quotes and using discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are discounted at market derived rates for government securities in the same country of issue as the security; for non-government securities, an interest spread is added to the derived rate for a similar government security rate according to the perceived additional risk of the non-government security.

In assessing the fair value of non-traded financial liabilities, the Company uses a variety of methods including obtaining dealer quotes for specific or similar instruments and the use of internally developed pricing models, such as the use of discounted cash flows. If the non-traded liability is backed by a pool of assets, then its value is equivalent to the value of the underlying assets.

	2017 - Contractual un-discounted cash flows			
	On demand or within 1 year	**1 to 5 Years**	**After 5 years**	**Total**
Financial liabilities:				
Amounts payable to Sagicor Group Companies	739	-	-	739
Total	739	-	-	739

Year ended December 31, 2017 Amounts expressed in EC $000

13. FINANCIAL RISK (continued)

13.2 Liquidity risk (continued)

(a) Financial liabilities and commitments (continued)

	2016 - Contractual un-discounted cash flows			
	On demand or within 1 year	**1 to 5 Years**	**After 5 years**	**Total**
Financial liabilities:				
Accounts payable and accrued liabilities	3	-	-	3
Amounts payable to Sagicor Group Companies	202	-	-	202
Total	205	-	-	205

(b) Financial assets

The contractual maturity periods of monetary financial assets are summarised in the following tables. Amounts are stated at their carrying values recognised in the financial statements.

	2017 – Contractual or expected discounted cash flows			
	Maturing within 1 year	**Maturing 1 to 5 Years**	**Maturing after 5 years**	**Total**
Debt securities	-	3,744	-	3,744
Deposits	-	351	-	351
Cash resources	1,597	-	-	1,597
Total	1,597	4,095	-	5,692

Year ended December 31, 2017 Amounts expressed in EC $000

13. FINANCIAL RISK (continued)

13.2 Liquidity risk (continued)

(b) Financial assets (continued)

	2016 – Contractual or expected discounted cash flows			
	Maturing within 1 year	Maturing 1 to 5 Years	Maturing after 5 years	Total
Debt securities	-	3,484	-	3,484
Deposits	150	-	-	150
Cash resources	1,596	-	-	1,596
Total	1,746	3,484	-	5,230

13.3 Interest rate risk

The Company is exposed to interest rate risks. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The occurrence of an adverse change in interest rates on invested assets may result in financial loss to the Company in fulfilling the contractual returns on insurance and financial liabilities.

The return on investments may be variable, fixed for a term or fixed to maturity. On reinvestment of a matured investment, the returns available on the new investment may be significantly different from the returns formerly achieved. This is known as reinvestment risk.

Guaranteed minimum returns exist within cash values of long term traditional insurance contracts, long term universal life insurance contracts, annuity options, deposit administration liabilities and policy funds on deposit. Where the returns credited exceed the guaranteed minima, the insurer usually has the option to adjust the return from period to period. For other financial liabilities, returns are usually contractual and may only be adjusted on contract renewal or contract re-pricing.

The Company is therefore exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase or decrease as a result of such changes. Interest rate changes may also result in losses if asset and liability cash flows are not closely matched with respect to timing and amount.

Year ended December 31, 2017 Amounts expressed in EC $000

13. FINANCIAL RISK (continued)

13.3 Interest rate risk (continued)

The Company is exposed to risk under embedded derivatives contained in a host insurance contract. These risks include exposures to investment returns which may produce losses to the insurer arising from the following contract features:

- minimum annuity rates which are guaranteed to be applied at some future date;
- minimum guaranteed death benefits which are applicable when the performance of an interest bearing or unit linked fund falls below expectations;
- minimum guaranteed returns in respect of cash values and universal life investment accounts.

The Company manages its interest rate risk by a number of measures, including where feasible, the selection of assets which best match the maturity of liabilities, the offering of investment contracts which match the maturity profile of assets, the re-pricing of interest rates on loans receivable, policy contracts and financial liabilities in response to market changes. In certain Caribbean markets, where availability of suitable investments is often a challenge, the Company holds many of its fixed rate debt securities to maturity and therefore mitigates the transient interest rate changes in these markets.

The table following summarises the exposures to interest rates on the Company's financial liabilities. It includes liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	2017				
	Exposure within 1 year	**Exposure 1 to 5 years**	**Exposure after 5 years**	**Not exposed to interest**	**Total**
Amounts payable to Sagicor Group Companies	-	-	-	739	739
Total	-	-	-	739	739

	2016				
	Exposure within 1 year	**Exposure 1 to 5 years**	**Exposure after 5 years**	**Not exposed to interest**	**Total**
Amounts payable to Sagicor Group Companies	-	-	-	202	202
Accounts payable and accruals	-	-	-	3	3
Total	-	-	-	205	205

Year ended December 31, 2017 Amounts expressed in EC $000

13. FINANCIAL RISK (continued)

13.3 Interest rate risk (continued)

The table following summarises the exposures to interest rate and reinvestment risks of the Company's financial assets. Assets are stated at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	2017				
	Exposure within 1 year	**Exposure 1 to 5 years**	**Exposure after 5 years**	**Not exposed to interest**	**Total**
Debt securities	-	3,649	-	95	3,744
Deposits	-	351	-	-	351
Prepaid Expenses	-	-	-	17	17
Cash resources	1,597	-	-	-	1,597
Total	1,597	4,000	-	112	5,709

	2016				
	Exposure within 1 year	**Exposure 1 to 5 years**	**Exposure after 5 years**	**Not exposed to interest**	**Total**
Debt securities	-	3,400	-	84	3,484
Deposits	-	150	-	-	150
Cash resources	1,596	-	-	-	1,596
Total	1,596	3,550	-	84	5,230

The table below summarises the average interest yields on financial assets and liabilities held during the year.

	2017	**2016**
Financial assets:		
Debt securities	5.4%	4.9%
Deposits	0.0%	0.7%
Financial liabilities		
Investment contract liabilities	-	-

Year ended December 31, 2017 Amounts expressed in EC $000

13. FINANCIAL RISK (continued)

13.4 Foreign exchange risk

The Company is not exposed to significant foreign exchange risk as a result of fluctuations in exchange rates since its financial assets and liabilities are denominated in Eastern Caribbean dollars.

In order to manage the risk associated with movements in currency exchange rates, the Company seeks to maintain investments and cash in each operating currency, which are sufficient to match liabilities denominated in the same currency.

Exceptions are made to invest limited proportions in United States dollar assets which are held to back liabilities in Caribbean currencies. Management considers that these assets diversify the range of investments available in the Caribbean, and in the long-term are likely to either maintain capital value and/or provide satisfactory returns.

Balances of assets and liabilities in Eastern Caribbean dollar equivalents are denominated by currency as summarised in the following tables.

2017	**US $**	**Eastern Caribbean $**	**Total Current Year**
ASSETS			
Financial investments[1]	3,744	351	**4,095**
Cash resources	-	1,597	**1,597**
Total Monetary Assets	3,744	1,948	**5,692**
LIABILITIES			
Due to parent and affiliated companies	-	739	**739**
Total Monetary Liabilities	-	739	**739**
Other liabilities[2]	-	30	**30**
Total liabilities	-	769	**769**
Net position	3,744	1,196	**4,940**

[1] Monetary balances only [2] Non-monetary and income tax balances and retirement plan assets

Year ended December 31, 2017 Amounts expressed in EC $000

13. FINANCIAL RISK (continued)

13.4 Foreign exchange risk (continued)

2016	**US $**	**Eastern Caribbean $**	**Total Current Year**
ASSETS			
Financial investments[1]	3,484	150	**3,634**
Cash resources	-	1,596	**1,596**
Total Monetary Assets	3,484	1,746	**5,230**
LIABILITIES			
Accounts payable and accruals	-	3	**3**
Due to parent and affiliated companies	-	202	**202**
Total Monetary Liabilities	-	205	**205**
Other liabilities[2]	-	17	**17**
Total liabilities	-	222	**222**
Net position	3,484	1,524	**5,008**

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(1) Monetary balances (2) Non-monetary balances, income tax balances and retirement plan assets

Year ended December 31, 2017 Amounts expressed in EC $000

13. FINANCIAL RISK (continued)

13.5 Fair value of financial instruments

(a) Financial instruments carried at amortised cost

The carrying values of the Company's non-traded financial assets and financial liabilities carried at amortised cost approximate their fair value.

The fair value hierarchy of other financial instruments carried at amortised cost as of December 31, 2017 is set out in the following tables:

2017	Level 1	Level 2	Level 3	Total
Loans and receivables:				
Debt securities	-	-	3,776	3,776
	-	-	3,776	3,776
Total	-	-	3,776	3,776
Total assets by percentage	-	-	100%	100%

2016	Level 1	Level 2	Level 3	Total
Loans and receivables:				
Debt securities	-	-	3,541	3,541
	-	-	3,541	3,541
Total	-	-	3,541	3,541
Total assets by percentage	-	-	100%	100%

14. CAPITAL MANAGEMENT

The Company's objectives when managing capital, which is a broader concept than equity in the statement of financial position, are:

- To comply with capital requirements established by insurance regulatory authorities;
- To comply with internationally recognised capital requirements for insurance, where local regulations do not meet these international standards;
- To safeguard its ability as a going concern to continue to provide benefits and returns to policyholders, depositors, note-holders and shareholders;
- To provide adequate returns to shareholders;
- To maintain a strong capital base to support the future development of Company operations.

14.1 Capital resources

The principal capital resources of the Company are as follows:

	2017	**2016**
Shareholder’s equity	4,940	5,008
Total capital resources	4,940	5,008

The Company deploys its capital resources through its operating activities. The capital is deployed in such a manner as to ensure that the Company has adequate and sufficient capital resources to carry out its activities and to meet regulatory requirements.

15. RELATED PARTY TRANSACTIONS

Other than as disclosed in notes 7 there are no material related party transactions.