LAURENTIDE INSURANCE AGENCY LIMITED
2016 AUDITED FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of:
Laurentide Insurance Agency Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Laurentide Insurance Agency Limited (the Company), which comprise the statement of financial position as at December 31, 2016, and the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 controls.

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

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

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

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

Deloitte & Touche

Nassau, Bahamas
April 26, 2017

LAURENTIDE INSURANCE AGENCY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016
(Expressed in Bahamian dollars)

	2016	2015
ASSETS		
Cash and deposit with bank (Notes 5 and 6)	$ 114,201	$ 113,728
Deposit - Parent (Notes 5 and 6)	2,420,671	2,126,151
Other assets (Notes 5 and 6)	1,131	1,132
TOTAL	$2,536,003	$2,241,011
LIABILITIES AND EQUITY		
LIABILITIES:		
Other liabilities (Note 5)	$ 6,000	$ 6,000
EQUITY:		
Share capital		
Authorized, issued and fully paid:		
5,000 shares at $1.00	5,000	5,000
Share premium	5,000	5,000
Retained earnings	2,520,003	2,225,011
Total equity	2,530,003	2,235,011
TOTAL	$2,536,003	$2,241,011

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

These financial statements were approved by the Board of Directors on February 14, 2017 and are signed on its behalf by:

Director

Director

LAURENTIDE INSURANCE AGENCY LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Bahamian dollars)

	2016	2015
INCOME:		
Commissions (Note 6)	$1,672,161	$1,871,750
Interest income - Parent (Note 5)	87,148	101,984
Total income	1,759,309	1,973,734
EXPENSES:		
General and administrative:		
Parent (Note 5)	836,061	935,875
Other	68,256	62,055
Total expenses	904,317	997,930
TOTAL PROFIT AND COMPREHENSIVE INCOME	$ 854,992	$ 975,804
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	5,000	5,000
EARNINGS PER SHARE (BASIC AND DILUTED)	$ 171.00	$ 195.16

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

LAURENTIDE INSURANCE AGENCY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Bahamian dollars)

	Share Capital	Share Premium	Retained Earnings	Total
Balance at December 31, 2014	$ 5,000	$ 5,000	$ 1,884,207	$ 1,894,207
Total profit and comprehensive income	-	-	975,804	975,804
Dividends ($127.00 per share)	-	-	(635,000)	(635,000)
Balance at December 31, 2015	5,000	5,000	2,225,011	2,235,011
Total profit and comprehensive income	-	-	854,992	854,992
Dividends ($112.00 per share)	-	-	(560,000)	(560,000)
Balance as at December 31, 2016	$ 5,000	$ 5,000	$ 2,520,003	$ 2,530,003

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

LAURENTIDE INSURANCE AGENCY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Bahamian dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Total profit and comprehensive income	$ 854,992	$ 975,804
Adjustment for interest income	(87,148)	(101,984)
Decrease (increase) in other assets	1	(1,049)
Net cash from operating activities	767,845	872,771
CASH FLOWS FROM INVESTING ACTIVITY:		
Interest received	87,148	101,984
CASH FLOWS FROM FINANCING ACTIVITY:		
Dividends paid	(560,000)	(635,000)
NET INCREASE IN CASH EQUIVALENTS	294,993	339,755
CASH EQUIVALENTS, BEGINNING OF YEAR	2,239,879	1,900,124
CASH EQUIVALENTS, END OF YEAR	$2,534,872	$2,239,879
CASH AND CASH EQUIVALENTS ARE COMPRISED OF:		
Cash and deposit with bank	$ 114,201	$ 113,728
Deposit - Parent	2,420,671	2,126,151
	$2,534,872	$2,239,879

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

(Expressed in Bahamian dollars)

1. INCORPORATION AND ACTIVITY

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

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

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

In the current year, the Company adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on January 1, 2016.

New standards	
IFRS 14	Regulatory Deferral Accounts
	Amended standards
IFRS 5	Amendments resulting from September 2014 annual improvements to IFRSs
IFRS 7	Amendments resulting from September 2014 annual improvements to IFRSs
IFRS 10 & IAS 28	Amendments to clarify the accounting for the loss of control of a subsidiary when the subsidiary does not constitute a business
IFRS 11	Amendments to clarify the accounting for the acquisition of an interest in a joint operations when the activity constitute a business
IAS 16 & IAS 38	Amendments to clarify acceptable methods of depreciation and amortisation
IAS 27	Amendments to allow the application of the equity method in separate Financial Statements

IFRS 10, IFRS 12 and IAS 28	Amendments to clarify the application of the Consolidation exception for Investment Entities
IAS 1	Amendments to IAS 1 - Disclosure Initiative
IAS 19, IAS 34	Amendments resulting from September 2014 Annual improvements to IFRSs

NEW ACCOUNTING STANDARDS AND IFRS INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date indicated.

New and amended Standards		**Effective for annual periods beginning on or after**
IFRS 2	Amendments to clarify the classification and measurement of share-based payment transactions	1 January 2018
IFRS 4 and IFRS 9	Amendments regarding the interaction of IFRS 4 and IFRS 9	1 January 2018
IFRS 7	Additional disclosures (and consequential amendments) resulting from IFRS 9	Concurrent with adoption of IFRS 9
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	(*)
IFRS 16	Leases	1 January 2019
IAS 12	Recognition of deferred tax assets for unrealised losses	1 January 2017
IAS 7	Disclosure initiative	1 January 2017
IFRS 15	Clarification to IFRS 15	1 January 2018

(*) In December 2015, the IASB deferred the effective date indefinitely; nevertheless, the amendments are available for earlier adoption.

The Directors anticipate that the adoption of these standards, with the exception of IFRS 9, will have no material impact on the Company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance - These financial statements have been prepared in accordance with International Financial Reporting Standards.

Basis of preparation - These financial statements have been prepared on the historical cost basis except for the revaluation of financial assets and financial liabilities held at fair value through profit or loss. The principal policies are set out below:

a. ***Recognition of income***

i. ***Interest revenue*** is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

ii. ***Commission income*** is recognised in full on the date of sale of the insurance policy.

b. ***Related parties*** - Related parties include:

i. Key Management Personnel, close family members of Key Management Personnel, and entities which are controlled individually and/or jointly, or significantly influenced, or for which significant voting power is held, by Key Management Personnel or their close family members; or

ii. Non Key Management Personnel who have significant influence over the Company or its Parent and their close family members. Non Key Management Personnel who control in excess of 5% of the outstanding common shares of the Company or its Parent are considered to have significant influence over the Company.

Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company or its Parent, being the Officers and Directors of both Companies.

Close family members include the spouse of Key and Non Key Management Personnel and the children and dependents of Key and Non Key Management personnel or their spouse.

c. ***Cash and cash equivalents*** - For the purposes of the Statement of Cash Flows, cash equivalents comprise cash on hand and unrestricted deposits with banks that have original maturities of three months or less.

d. ***Financial assets*** - Financial assets are:

i. Cash;

ii. An equity instrument of another entity;

iii. A contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions favourable to the Company;

iv. A contract that will or may be settled in the Company's own equity instrument and is either a non derivative for which the Company is or may be obliged to receive a variable number of the Company's own equity instruments, or a derivative that will or may be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments.

Financial assets are classified into the following categories: 'Fair Value Through Profit or Loss' (FVTPL), 'Held-To-Maturity', 'Available-For-Sale' (AFS) and 'Loans and Receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

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

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

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

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

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

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

e. ***Financial liabilities*** - Financial liabilities are any liabilities that are:

i. Contractual obligations to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company;

ii. A contract that will or may be settled in the Company's own equity instruments and is either a non-derivative for which the Company is or may be obliged to deliver a variable number of its own equity instruments, or a derivative that will or may be settled either than by exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments.

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

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

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

The Company considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Statements approximate their fair values.

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

Under the laws of The Bahamas, there are no income taxes, capital gains or other corporate taxes imposed.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

5. FINANCIAL INSTRUMENTS

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

	2016				
	Held-to-Maturity	Available-For-Sale	Loans and Receivables	Other Financial Liabilities	Total
FINANCIAL ASSETS					
Cash and deposit with bank	$ -	$ -	$ 114,201	$ -	$ 114,201
Deposit - Parent	$ -	$ -	$ 2,420,671	$ -	$2,420,671
FINANCIAL LIABILITIES					
Other liabilities	$ -	$ -	$ -	$ 6,000	$ 6,000

	2015				
	Held-to-Maturity	Available-For-Sale	Loans and Receivables	Other Financial Liabilities	Total
FINANCIAL ASSETS					
Cash and deposit with bank	$ -	$ -	$ 113,728	$ -	$ 113,728
Deposit - Parent	$ -	$ -	$ 2,126,151	$ -	$2,126,151
FINANCIAL LIABILITIES					
Other liabilities	$ -	$ -	$ -	$ 6,000	$ 6,000

6. RELATED PARTY TRANSACTIONS AND BALANCES

During the year the Company received commissions of $1,627,161 (2015: $1,871,750) from its sister company for selling life assurance business.

The Company maintains a current account with the Parent. The account earns interest at 0.50%. Interest income was $540 (2015: $687).

The Deposit - Parent earns interest at the Bahamian prime rate 4.75% (2015: 4.75%). Interest income was $86,608 (2015: $101,297).

The Company paid management fees for the year of $836,061 (2015: $935,875) to its Parent for undertaking its administrative activities.

7. RISK MANAGEMENT

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

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

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

Liquidity risk - Liquidity risk is the potential for loss if the Company is unable to meet financial commitments in a timely manner at reasonable prices as they fall due. Financial commitments include liabilities to policy holders, suppliers and investment commitments. All 'other liabilities' are due on demand and claims are payable on the occurrence of the claims, which principally results in short-term cash outflows. The remaining 'life assurance fund liability' could result in cash outflows within one year.

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

Interest rate risk - Interest rate risk is the potential for a negative impact on the Statement of Financial Position and/or Statement of Profit or Loss and Comprehensive Income arising from adverse changes in the value of financial instruments as a result of changes in interest rates.

Interest rate risk or interest rate sensitivity results primarily from differences in the repricing dates of assets and liabilities. Interest rate risk exposures, or "gaps" may produce favourable or unfavourable effects on interest margins depending on the nature of the gap and the direction of interest rate movement and/or the expected volatility of those interest rates. When assets have a shorter average maturity than liabilities, an increase in interest rates would have a positive impact on net interest margins, and conversely, if more liabilities than assets mature or are repriced in a particular time interval then a negative impact on net interest margin would result. The Company has no liabilities with interest rate exposure.

Interest Rate Sensitivity

If interest rates increase by 50 basis points and all other variables remain constant, the Company's profit over the next 12 months is estimated to decrease by $25,000.

If interest rates decrease by 50 basis points and all other variables remain constant, the Company's profit over the next 12 months is estimated to increase by $25,000.

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