Bank of Saint Lucia International Limited

Consolidated Financial Statements

For the year ended 31 December 2015
(Expressed in United States Dollars)

Bank of Saint Lucia International Limited

Index to the Consolidated Financial Statements
For the Year ended 31 December 2015

Ernst & Young
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INDEPENDENT AUDITORS' REPORT

To the shareholder of Bank of Saint Lucia International Limited

We have audited the accompanying consolidated financial statements of Bank of Saint Lucia International Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

CHARTERED ACCOUNTANTS
St. Lucia
21 March 2016

Bank of Saint Lucia International Limited

Consolidated Statement of Financial Position
As of 31 December 2015

(expressed in United States dollars)

	2015 $	2014 $
Assets		
Cash and cash equivalents (Note 5)	**201,774,115**	218,566,967
Investment securities: (Note 7)		
- Held-for-trading	**17,431**	21,169
- Held-to-maturity	**7,551,169**	143,196
- Available-for-sale	**118,395,324**	112,571,532
Loans and advances to customers (Note 6)	**6,068,871**	8,280,855
Property and equipment (Note 8)	**531,883**	290,666
Intangible assets (Note 9)	**796,622**	-
Other assets (Note 10)	**851,271**	943,020
Total assets	**335,986,686**	340,817,405
Liabilities		
Deposits from other banks (Note 11)	**226,302**	247,111
Due to customers (Note 12)	**321,164,049**	326,675,529
Other liabilities (Note 13)	**435,960**	640,371
Total liabilities	**321,826,311**	327,563,011
Equity		
Share capital (Note 14)	**5,000,000**	5,000,000
Unrealised loss on investments	**(2,087,809)**	(485,091)
Reserves (Note 23)	**4,326,508**	3,448,463
Retained earnings	**6,921,676**	5,291,022
Total equity	**14,160,375**	13,254,394
Total liabilities and equity	**335,986,686**	340,817,405

The accompanying notes form part of these financial statements.

Approved by the Board of Directors on 21 March 2016:

________________ Director   ________________ Director

Bank of Saint Lucia International Limited

Consolidated Statement of Income
For the year ended 31 December 2015

(expressed in United States dollars)

	2015 $	2014 $
Interest income (Note 15)	**3,867,376**	3,632,604
Interest expense (Note 15)	**(226,806)**	(226,842)
Net interest income	**3,640,570**	3,405,762
Fees and commission income, net (Note 16)	**2,439,908**	2,186,972
Net foreign exchange trading income (Note 17)	**772,678**	779,835
Other income (Note 18)	**417,064**	739,489
Impairment losses on AFS securities	**(489,224)**	-
Operating expenses (Note 19)	**(4,272,297)**	(3,952,965)
Profit for the year	**2,508,699**	3,159,093

The accompanying notes form part of these financial statements.

Bank of Saint Lucia International Limited

Consolidated Statement of Changes in Equity
For the year ended 31 December 2015

(expressed in United States dollars)

	Share capital $ (Note 14)	Unrealised (loss)gain on AFS investments $	Reserves $ (Note 23)	Retained earnings $	Total $
Balance at 1 January 2014	**5,000,000**	**(57,420)**	**2,342,781**	**5,630,811**	**12,916,172**
Total comprehensive income for the year	-	(427,671)	-	3,159,093	2,731,422
Dividends paid	-	-	-	(2,393,200)	(2,393,200)
Transfer from retained earnings	-	-	1,105,682	(1,105,682)	-
Balance at 31 December 2014	**5,000,000**	**(485,091)**	**3,448,463**	**5,291,022**	**13,254,394**
At 1 January 2015	**5,000,000**	**(485,091)**	**3,448,463**	**5,291,022**	**13,254,394**
Total comprehensive income for the year	-	(1,602,718)	-	2,508,699	905,981
Transfer to/(from) reserves /retained earnings	-	-	878,045	(878,045)	-
Balance at 31 December 2015	**5,000,000**	**(2,087,809)**	**4,326,508**	**6,921,676**	**14,160,375**

The accompanying notes form part of these financial statements.

Bank of Saint Lucia International Limited

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2015

(expressed in United States dollars)

	2015 $	2014 $
Profit for the year	**2,508,699**	3,159,093
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Unrealized (loss)/gain on available for sale investments	**(1,423,569)**	145,737
Realised gain transferred to statement of income	**(179,149)**	(573,408)
Total comprehensive income for the year	**905,981**	2,731,422

The accompanying notes form part of these financial statements.

Bank of Saint Lucia International Limited

Consolidated Statement of Cash Flows
For the year ended 31 December 2015

(expressed in United States dollars)

	2015 $	2014 $
Cash flows from operating activities		
Profit for the year	**2,508,699**	3,159,093
Adjustments to reconcile net profit to net cash flows:		
Depreciation	**61,624**	30,725
Amortization	**46,860**	-
Loss on disposal of fixed assets	**-**	26,269
Interest income	**(83,204)**	(162,812)
Interest expense	**226,806**	226,842
Cash flows before changes in operating assets and liabilities	**2,760,785**	3,280,117
Decrease/(increase) in other assets	**91,749**	(555,299)
Decrease in loans and advances to customers	**2,138,909**	6,864,422
Decrease in due to customers	**(5,505,042)**	(31,850,131)
Decrease in deposits from other banks	**(20,809)**	(46,109)
(Decrease)/increase in other liabilities	**(204,411)**	240,633
Purchase of investment securities	**(43,856,470)**	(64,834,618)
Proceeds on disposal of investment securities	**26,617,254**	46,507,012
Cash used in operations	**(17,978,035)**	(40,393,973)
Interest paid	**(233,244)**	(338,581)
Interest received	**156,279**	271,821
Net cash used in operating activities	**(18,055,000)**	(40,460,733)
Cash flows from investing activities		
Purchase of property and equipment	**(302,841)**	(185,348)
Purchase of intangible assets	**(843,482)**	-
Net cash used in investing activities	**(1,146,323)**	(185,348)
Cash flows from financing activities		
Decrease in due to related party	**-**	(6,910)
Dividend paid	**-**	(2,393,200)
Net cash (used in) financing activities	**-**	(2,400,110)
Decrease in cash and cash equivalents	**(19,201,323)**	(43,046,191)
Net foreign exchange difference on investments	**2,408,471**	3,135,607
Cash and cash equivalents, beginning of year	**218,566,967**	258,477,551
Cash and cash equivalents, end of year	**201,774,115**	218,566,967

The accompanying notes form part of these financial statements.

(expressed in United States dollars)

1 General information

Bank of Saint Lucia International Limited (BOSLIL) (the "Bank") was incorporated in Saint Lucia on 30 December 2003 under the International Business Companies Act of Saint Lucia. BOSLIL's principal activity is the provision of international banking services. It is a wholly owned subsidiary of East Caribbean Financial Holding Company Limited (the Parent company), a limited liability company incorporated and domiciled in Saint Lucia. BOSLIL commenced trading when the licence to carry on international banking business from Saint Lucia was obtained on 30 March 2004.

BOSLIL International Holdings Limited ("BIHL") is a wholly owned subsidiary of BOSLIL and was incorporated in Saint Lucia on 18 October 2010. Its principal activity is that of a holding company. It is intended that BIHL will be the sole shareholder of the companies involved in non-banking activities.

BOSLIL Finance Limited ('BFL') is a wholly owned subsidiary of BOSLIL and was incorporated in Saint Lucia on 30 October 2006. BFL's principal activities are the provision of structured finance services, investment management services to the BOSLIL mutual funds and fund administration services. The operations of BFL commenced in fiscal year 2007.

BOSLIL Sudamerica SA ("BSA") is a wholly owned subsidiary of BFL and was incorporated in Uruguay on 18 March 2009. BSA's principal activity is the provision of market research and business development services in South America.

BOSLIL Bond Fund Limited was incorporated in Saint Lucia on 6 October 2010. The shares of this Company are owned by BIHL. The Company is a private mutual fund and has been registered as such on 4 January 2011 under the International Mutual Fund Act of Saint Lucia.

BOSLIL Equity Fund Limited was incorporated in Saint Lucia on 24 March 2011. The shares of this Company are owned by BIHL. The company is a private mutual fund and has been registered as such on 11 May 2011 under the International Mutual Fund Act of Saint Lucia.

BOSLIL Secretarial Services was incorporated in Saint Lucia on 9 February 2011. The shares of this Company are owned by BIHL. The Company's principal activity is to provide secretarial services for companies.

BOSLIL Corporate Services Limited ("BCSL") is a wholly-owned subsidiary of BIHL and was incorporated in Saint Lucia on 17 November 2010. Its principal activity is the provision of registered agent services for which the Company was granted a licence under The Registered Agents & Trustees Licensing Act of Saint Lucia on 4 January 2011.

Baywater Limited was incorporated in Saint Lucia on 5 December 2012. The shares of this Company are owned by BIHL. The Company's principal activity is to provide directorship services to BOSLIL entities.

(expressed in United States dollars)

1 General information…*continued*

Private Investment No 1 Limited was incorporated in Saint Lucia on 5 December 2012. The shares of this Company are owned by BIHL. The Company's principal activities are the provision of structured finance services to BOSLIL entities.

Private Investment No 2 Limited was incorporated in Saint Lucia on 5 December 2012. The shares of this Company are owned by BIHL. The Company's principal activities are the provision of structured finance services to BOSLIL entities.

Bank of Saint Lucia International Limited and its subsidiaries (the Group) principal place of business is Massade, Gros Islet, St Lucia and the address of the registered office is the office of its registered agent BCSL also at the same location.

2 Summary of significant accounting policies

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

Statement of compliance
The consolidated financial statements of Bank of Saint Lucia International Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as at 31 December 2015, the reporting date.

Basis of preparation
These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available for sale financial assets in the consolidated statement of financial position.

The preparation of consolidated 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 Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(expressed in United States dollars)

2 Summary of significant accounting policies*…continued*

Basis of preparation*…continued*

(a) Changes in accounting policies and disclosures

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2015, they did not have a material impact on the annual consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014.

Annual improvements *2010-2012 Cycle*

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 *Related Party Disclosures*

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual improvements *2011-2013 Cycle*

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

(expressed in United States dollars)

2 Summary of significant accounting policies*…continued*

Basis of preparation*…continued*

(a) Changes in accounting policies and disclosures*…continued*

IFRS 13 *Fair Value Measurement*

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

(b) Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

IFRS 14 *Regulatory Deferral Accounts*

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

(expressed in United States dollars)

2 Summary of significant accounting policies…*continued*

Basis of preparation…*continued*

(b) Standards issued but not yet effective…*continued*

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalizes their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Annual Improvements *2012-2014 Cycle*

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(expressed in United States dollars)

2 Summary of significant accounting policies*…continued*

Basis of preparation*…continued*

(b) Standards issued but not yet effective*…continued*

IAS 19 Employee Benefits
The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

Amendments to IAS 1 *Disclosure Initiative*
The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*
The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

(expressed in United States dollars)

2 Summary of significant accounting policies*…continued*

Basis of preparation*…continued*

Consolidation
The financial statements of the subsidiaries used to prepare the consolidated financial statements were prepared as of the parent company's reporting date. The consolidation principles are unchanged as against the previous year.

The consolidated financial statements of the Group comprise the financial statements of the parent entity and all subsidiaries as of 31 December 2015.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns
- When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
  - The contractual arrangement with the other vote holders of the investee
  - Rights arising from other contractual arrangements
  - The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(expressed in United States dollars)

2 Summary of significant accounting policies…*continued*

Basis of preparation…*continued*

Consolidation…*continued*

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the effective acquisition date or up to the effective date on which control ceases, as appropriate.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of income.

Inter-company transactions, balances and unrealised gains on transactions between group companies have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

The integration of the subsidiaries into the consolidated financial statements is based on consistent accounting and valuation methods for similar transactions and other occurrences under similar circumstances.

(expressed in United States dollars)

2 Summary of significant accounting policies*…continued*

Basis of preparation*…continued*

Fair value measurement
The Group measures financial instruments such as investment securities and non-financial such as investment properties, at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

Disclosures for valuation methods, significant estimates and assumptions	Notes 2 and 3
Quantitative disclosures of fair value measurement hierarchy	Note 3
Financial instruments (including those carried at amortised cost)	Note 7

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value of a non-financial asset takes into account a market participants ability to generate economic benefits by using the assets in its highest and best use or by selling to another participant that would use the asset in its highest and best use.

The Group determines the policies and procedures for both recurring and non-recurring fair value measurement.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

(expressed in United States dollars)

2 Summary of significant accounting policies*…continued*

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition including: cash and non-restricted balances with the Central Bank, deposits with other banks, deposits with non-bank financial institutions and other short-term securities.

Financial assets

The Group allocates its financial assets to the following IAS 39 categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its financial instruments at initial recognition.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories; financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as fair value through profit or loss if acquired principally for the purpose of selling in the short term or if so designated by management.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Financial instruments included in this category are recognised initially at fair value; transaction costs are taken directly to the consolidated statement of income. Gains and losses arising from changes in fair value are included directly in the consolidated statement of income and are reported as 'Fair value gains', interest income and expense and dividend income and expenses on financial assets held for trading are included in 'Net interest income'. The instruments are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognising.

(expressed in United States dollars)

2 Summary of significant accounting policies*…continued*

Financial assets*…continued*

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the entity upon initial recognition designates as available-for-sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate method. Loans and receivables are reported in the consolidated statement of financial position as loans and advances to customers or as investment securities. Interest on loans and receivables is included in the consolidated statement of income. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and receivables and recognised in the consolidated statement of income.

During the normal course of business financial assets carried at amortised cost may be restructured with the mutual agreement of the "Group" and the counterparty. When this occurs for reasons other than those which could be considered indicators of impairment, the group assesses whether the restructured or renegotiated financial asset is significantly different from the original one by comparing the present value of the restructured cash flows discounted at the original instruments interest rate. If the restructured terms are significantly different the group derecognises the original financial asset and recognises a new one at fair value with any difference recognized in the statement of income.

(c) Held-to-maturity
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity, other than: (a) those that the Group upon initial recognition designates as at fair value through profit or loss; (b) those that the Group designates as available-for-sale; and (c) those that meet the definition of loans and receivables. These are initially recognised at fair value including direct and incremental transaction costs are measured subsequently at amortised cost, using the effective interest method. Interest on held-to-maturity investments is included in the consolidated statement of income. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognised in the consolidated statement of income.

If the Group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

(expressed in United States dollars)

2 Summary of significant accounting policies*…continued*

Financial assets*…continued*

(d) Available-for-sale financial assets
Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to- maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in the consolidated statement of comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised. Management makes judgements at each reporting date to determine whether available-for-sale investments are impaired. These investments are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the consolidated statement of comprehensive income is recognised in the consolidated statement of income. Interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available-for-sale are recognised in the consolidated statement of income. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of income when the Group's right to receive payment is established. Where fair value cannot be determined cost is used.

Recognition
The Group uses trade date accounting for regular way contracts when recording financial asset transactions.

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

(expressed in United States dollars)

2 Summary of significant accounting policies…*continued*

Impairment of financial assets…*continued*

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

(i) significant financial difficulty of the issuer or obligor;
(ii) a breach of contract, such as a default or delinquency in interest or principal payments;
(iii) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
(iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
(v) the disappearance of an active market for that financial asset because of financial difficulties; or
(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including;
  - adverse changes in the payment status of borrowers in the group; or
  - national or local economic conditions that correlate with defaults on the assets in the group.

The estimated period between a loss occurring and its identification is determined by local management for each identified portfolio. In general, the periods used vary between three months and 12 months; in exceptional cases, longer periods are warranted.

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

Loans and advances that have been assessed individually and found not to be impaired and all individually performing loans and advances are assessed collectively in groups of assets with similar risk characteristics to determine whether provisions should be made due to incurred loss events which are not yet evident. The collective assessment takes account of data from the loan portfolio such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios, concentrations of risks and economic data country risk and the performance of different groups.

(expressed in United States dollars)

2 Summary of significant accounting policies*…continued*

Impairment of financial assets*...continued*
Assets carried at amortised cost
If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of income. If a loan or held-to-maturity investment has variable interest rates, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may or may not result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the loan provision in the consolidated statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the consolidated statement of income.

Assets classified as available-for-sale
The Group makes judgments at each reporting date of determine whether available-for-sale investments are impaired. These investments are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available-for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated statement of income on equity instruments are not reversed through the consolidated income statement.

(expressed in United States dollars)

2 Summary of significant accounting policies*…continued*

Impairment of financial assets*…continued*

Assets classified as available-for-sale…continued

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Offsetting financial instruments

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

Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

(expressed in United States dollars)

2 Summary of significant accounting policies*…continued*

Property and equipment*…continued*
Depreciation is calculated using the straight-line method to allocate the assets cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	20%
Office furniture and equipment	10% - 20%
Computer equipment	33 1/3%
Motor vehicles	20% - 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carry amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and value in use.

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

Intangible assets
Intangible assets comprise separately identifiable intangible items arising from business combinations, computer software licences and other intangible assets. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Intangible assets with a definite useful life are amortized using the straight-line method over their estimated useful economic life, generally not exceeding 20 years.

Intangible assets with an indefinite useful life are not amortised. Generally, the identified intangible assets of the Group have a definite useful life. At each reporting date, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable.

An impairment loss is recognized if the carrying amount exceeds the recoverable amount. The Group chooses to use the cost model for the measurement after recognition.

Computer software licences
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives. Software has a maximum expected useful life of 3 years.

(expressed in United States dollars)

2 Summary of significant accounting policies*…continued*

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction from the proceeds.

Preference shares that are redeemable on a specific date or at the option of the holder, are classified as financial liabilities and are presented in borrowings. The dividends on these preference shares are recognised in the statement of income as interest expense on an amortised cost basis using the effective interest method.

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are declared. The resulting dividends are recognised in the period they fall due.

Interest income and expense

Interest income and expense are recognised in the consolidated statement of income for all instruments measured at amortised cost using effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest to discount the future cash flows for the purposes of measuring the impairment loss.

Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of a business, are recognised on completion of the underlying transaction.

(expressed in United States dollars)

2 Summary of significant accounting policies*…continued*

Fee and commission income*…continued*
Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time apportioned basis. Asset management fees related to investment funds are recognised rateably over the period the service is provided. The same principle is applied for financial planning and custody services that are continuously provided over an extended period of time.

Leases
The leases entered into by the Group are primarily operating leases. The total payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

Employee benefits
Pension obligations
The Group operates a defined benefit plan. The scheme is funded through payments to trustee-administered funds, determined by periodic actuarial calculations. The plan is registered in St. Lucia and is regulated by the Insurance Act, 1994 which was enacted in 1995. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The pension obligation valuations are undertaken annually.

Annually the board of trustees reviews the level of funding and the asset liability mix to ensure adherence to the investment risk policy and the regulatory requirements. The required investment portfolio mix is 40% in equity instruments and 59% debt in debt instruments and 1% in cash and cash equivalents.

The Group’s policy is to fully fund the pension and to meet any funding shortfalls over a period of ten years following regular periodical actuarial reviews.

The asset recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to the consolidated statement of income in subsequent periods.

Past service costs are recognised in the consolidated statement of income on the earlier of:
- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs

(expressed in United States dollars)

2 Summary of significant accounting policies*…continued*

Employee benefits*…continued*
Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'operating expenses' in the consolidated statement of income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

The pension plan is exposed to inflation risk, interest rate risk and changes in the life expectancy for pensioners.

Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the statement of financial position date are discounted to present value.

Foreign currency translation
Functional and presentation currency
Items in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in United States dollars, which is the Group's functional and presentation currency.

Transactions and balances
Foreign currency transactions that are transactions denominated, or that require settlement in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated with the closing rates as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income.

Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, except impairment, are recognised in the statement of comprehensive income. Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in the unrealised gain on investments.

(expressed in United States dollars)

2 Summary of significant accounting policies*…continued*

Foreign currency translation*…continued*
Financial instruments

Financial instruments carried on the consolidated statement of financial position include cash resources, investment securities, loans and advances to customers, deposits with other banks, deposits from banks, and due to customers. The particular recognition methods adopted are disclosed in the individual policy statement associated with each item.

Comparatives
Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Certain balances were reclassified in the prior year to meet the current year presentation period.

3 Financial risk management

Strategy in using financial instruments
By its nature, the Group's activities are principally related to the use of financial instruments. The Group accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds whilst maintaining sufficient liquidity to meet all claims that may fall due.

Risk management is carried out by Management under policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk.

The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

Credit risk
The Group takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to each counterparty and its investment and the related portfolio and cash and cash equivalent balances in aggregate. Such risks are monitored on a revolving basis and subject to a monthly review.

(expressed in United States dollars)

3 Financial risk management*…continued*

Credit risk*…continued*

Exposure to credit risk is managed through regular analysis of cash and cash equivalent, loans and advances to customers and investment securities.

Credit risk measurement

(a) Cash and cash equivalents
Credit risk from balances with banks and financial institutions is managed by the Group in accordance with the Group's policy. Counterparty credit limits are reviewed by the Group's Risk Department on an annual basis, and may be updated throughout the year subject to approval of the Group's Investment Committee and where necessary, The Board of Directors. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments.

(b) Loans and advances to customers
The Group's policy is that all loans and advances to customers are fully cash collateralised and as such loss from default is considered minimal and is limited to any unpaid interest at the time of default.

(c) Investment securities
For investment securities, external rating such as Standard & Poor's rating or their equivalents are used by BOSLIL's Treasury for managing the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

Risk limit control and mitigation policies
The Group manages, limits and controls concentrations of credit risk wherever they are identified − in particular, to individual counterparties, groups and countries.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to the industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary by the Board of Directors.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below.

(expressed in United States dollars)

3 Financial risk management*…continued*

Credit risk*…continued*

Collateral
The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral type for loans is cash collateral. On a case by case basis the Group may consider other forms of collateral including cash security financed by proceeds from the issuance of preference shares to related parties or guarantees from the ultimate parent company.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

Impairment and provisioning policies
Management determines whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the reporting date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

(expressed in United States dollars)

3 Financial risk management…*continued*

Credit risk…*continued*

Maximum exposure to credit risk
Credit risk exposures relating to financial assets are as follows:

	Maximum exposure	
	2015 **$**	**2014** **$**
Cash and cash equivalents:		
− Cash in hand	**741**	707
− Due from banks	**116,791,806**	122,932,717
− Term deposits	**84,981,568**	95,633,543
Loans and advances to customers	**6,068,871**	8,280,855
Investment securities:		
− Available for sale	**118,395,324**	112,571,532
− Held for trading	**17,431**	21,169
− Held to maturity	**7,551,169**	143,196
Other assets	**851,271**	943,020
At 31 December	**334,658,181**	340,526,739

The above table represents a worst case scenario of credit risk exposure to the Group at 31 December 2015 and 2014, without taking account of any collateral held or other credit enhancements attached. The exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above, 60% (2014 – 64%) of the total maximum exposure is derived from cash and cash equivalents, 35% (2014 – 32%) represents investments in debt securities.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from both its loan and advances portfolio based on the following:

- 100% (2014 – 100%) of the loans and advances portfolio are considered to be neither past due nor impaired;
- 47% (2014 – 43%) of the investments in debt securities and other bills have at least an A- credit rating.

Loans and advances
The gross amount of loans and advances neither past due nor impaired totalled $6,068,871 (2014 – $8,280,855). There was no impairment provision on loans and advances for the two years.

(expressed in United States dollars)

3 Financial risk management*…continued*

Credit risk*…continued*

Debt securities

The table below presents an analysis of debt securities by rating agency designation at 31 December 2015, based on Standard & Poor's ratings or their equivalent:

	Available-for-sale $	Held-for trading $	Held-to maturity $	Total $
31 December 2015				
AAA	**3,062,597**	**-**	**-**	**3,062,597**
AA+	**7,892,343**	**-**	**-**	**7,892,343**
AA	**3,128,435**	**-**	**-**	**3,128,435**
AA-	**5,302,434**	**-**	**109,777**	**5,412,211**
A+	**11,462,963**	**-**	**-**	**11,462,963**
A	**12,699,877**	**-**	**101,176**	**12,801,053**
A-	**13,122,764**	**-**	**-**	**13,122,764**
BBB+	**14,485,321**	**-**	**59,233**	**14,544,554**
BBB	**12,013,746**	**-**	**220,836**	**12,234,582**
BBB-	**14,351,885**	**-**	**203,271**	**14,555,156**
BB+	**2,135,105**	**-**	**-**	**2,135,105**
Unrated	**18,737,854**	**17,431**	**6,856,876**	**25,612,161**
Total	**118,395,324**	**17,431**	**7,551,169**	**125,963,924**
31 December 2014				
AAA	1,525,408	-	-	1,525,408
AA+	8,540, 199	-	-	8,540,199
AA	2,330,879	-	-	2,330,879
AA-	6,907,066	-	-	6,907,066
A+	9,524,314	-	-	9,524,314
A	10,776,125	-	-	10,776,125
A-	8,739,700	-	-	8,739,700
BBB+	11,534,900	-	-	11,534,900
BBB	9,610,535	-	-	9,610,535
BBB-	16,630,402	-	-	16,630,402
BB+	642,901	-	-	642,901
Unrated	25,809,103	21,169	143,196	25,973,468
Total	112,571,532	21,169	143,196	112,735,897

(expressed in United States dollars)

3 Financial risk management…*continued*

Credit risk…*continued*

Geographical and economic concentrations of assets and liabilities
The following table breaks down the Group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region as of 31 December 2015. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties.

Geographical risk concentrations were as follows:

	Saint Lucia $	Caribbean Latin and South American Regions $	North America $	Europe $	Middle East, Asia and Pacific Regions $	Total $
31 December 2015						
Cash and cash equivalents	**569,727**	**15,074,141**	**11,266,472**	**174,863,137**	**638**	**201,774,115**
Loans and advances to customers	**5,280,923**	**759,950**	**-**	**-**	**27,998**	**6,068,871**
Investment securities:						
–Available-for-sale	**-**	**14,781,766**	**42,520,431**	**28,698,549**	**32,394,578**	**118,395,324**
–Held-for-trading	**-**	**-**	**17,431**	**-**	**-**	**17,431**
–Held-to-maturity	**6,393,842**	**-**	**-**	**1,157,327**	**-**	**7,551,169**
Other assets	**851,271**	**-**	**-**	**-**	**-**	**851,271**
As at 31 December 2015	**13,095,763**	**30,615,857**	**53,804,334**	**204,719,013**	**32,423,214**	**334,658,181**
31 December 2014						
Cash and cash equivalents	6,756,254	14,596,185	4,277,496	192,936,332	700	218,566,967
Loans and advances to customers	8,280,855	-	-	-	-	8,280,855
Investment securities:						
–Available-for-sale	-	10,116,096	31,001,256	35,418,010	36,036,170	112,571,532
–Held-for-trading	-	-	21,169	-	-	21,169
–Held-to-maturity	143,196	-	-	-	-	143,196
Other assets	936,402	-	3,864	2,754	-	943,020
As at 31 December 2014	16,116,707	24,712,281	35,303,785	228,357,096	36,036,870	340,526,739

(expressed in United States dollars)

3 Financial risk management*…continued*

Credit risk*…continued*

The following table breaks down the Group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by the industry sectors of the Group's counterparties.

Industry sector risk concentrations were as follows:

	Financial $	Telecom $	Energy, Mining, Natural Resources $	Sovereign/ Municipal $	Other $	Total $
31 December 2015						
Cash and cash equivalents	**201,774,115**	**-**	**-**	**-**	**-**	**201,774,115**
Loans and advances to customers	**6,068,871**	**-**	**-**	**-**	**-**	**6,068,871**
Investment securities:						
–Available for sale	**68,560,561**	**5,443,090**	**8,895,483**	**6,902,477**	**28,593,713**	**118,395,324**
–Held for trading	**17,431**	**-**	**-**	**-**	**-**	**17,431**
–Held to maturity	**7,551,169**	**-**	**-**	**-**	**-**	**7,551,169**
Other assets	**-**	**-**	**-**	**-**	**851,271**	**851,271**
As at 31 December 2015	**283,972,147**	**5,443,090**	**8,895,483**	**6,902,477**	**29,444,984**	**334,658,181**
31 December 2014						
Cash and cash equivalents	218,566,967	-	-	-	-	218,566,967
Loans and advances to customers	8,280,855	-	-	-	-	8,280,855
Investment securities:						
–Available for sale	66,646,988	5,469,820	9,186,013	5,976,840	25,291,871	112,571,532
–Held for trading	21,169	-	-	-	-	21,169
–Held to maturity	143,196	-	-	-	-	143,196
Other assets	-	-	-	-	943,020	943,020
As at 31 December 2014	293,659,175	5,469,820	9,186,013	5,976,840	26,234,891	340,526,739

(expressed in United States dollars)

3 Financial risk management*…continued*

Market risk
The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads and foreign exchange rates and equity prices.

Currency risk
The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group is exposed to foreign exchange risk primarily with respect to EUR, AUD, GBP, and CAD currencies. The Group manages its foreign currency risk by ensuring that its liabilities in each currency are matched with corresponding assets in the same currency and these positions are monitored monthly.

Sensitivity analysis
At 31 December 2015, if the EUR,AUD,GBP, and CAD currencies were to weaken/strengthen by 11.42%,12.04%, 5.14%, and 19.94% (2014 – 13.50%, 9.04%, 6.11%, and 8.88%), respectively, against the US dollar with all other variables held constant, post-tax profit for the year will increase by USD $47,954/(38,369), (2014 – USD increase by $43,767/(55,814)) higher/ lower, mainly as a result of foreign exchange gains/losses on translation of the EUR, AUD, GBP, and CAD dollar-denominated loans, receivables and financial assets at fair value through profit or loss. The sensitivity percentages used were based on historical trends during the 2015 period.

The following table summarizes the Group's exposure to foreign currency exchange rate risk at 31 December 2015.

(expressed in United States dollars)

3 Financial risk management…*continued*

Currency risk…*continued*

	USD $	GBP $	EURO $	AUD $	CAD $	Other $	Total $
At 31 December 2015							
Assets							
Cash and cash equivalents	122,985,015	22,667,954	37,898,550	8,882,475	3,406,347	5,933,774	201,774,115
Loans and advances to customers	6,041,505	27,366	-	-	-	-	6,068,871
Investment securities:							
–Available for sale	93,776,915	6,630,320	16,728,232	1,259,857	-	-	118,395,324
–Held for trading	17,431	-	-	-	-	-	17,431
–Held to maturity	6,244,008	-	1,158,939	-	-	148,222	7,551,169
Other assets	696,736	7,518	146,978	-	39	-	851,271
Total assets	229,761,610	29,333,158	55,932,699	10,142,332	3,406,386	6,081,996	334,658,181
Liabilities							
Deposits from other banks	223,848	1,875	579	-	-	-	226,302
Due to customers	216,719,378	29,278,756	55,554,073	10,118,818	3,405,785	6,087,239	321,164,049
Other liabilities	93,094	1,247	48,893	5,135	(328)	287,919	435,960
Total liabilities	217,036,320	29,281,878	55,603,545	10,123,953	3,405,457	6,375,158	321,826,311
Net currency exposure	12,725,290	51,280	329,154	18,379	929	(293,162)	12,831,870

(expressed in United States dollars)

3 Financial risk management…*continued*

Currency risk…*continued*

	USD $	GBP $	EURO $	AUD $	CAD $	Other $	Total $
At 31 December 2014							
Assets							
Cash and cash equivalents	151,675,884	16,387,524	36,835,250	4,876,030	866,340	7,925,939	218,566,967
Loans and advances to customers	5,339,823	-	2,940,992	40	-	-	8,280,855
Investment securities:							
–Available for sale	85,600,606	7,018,853	18,628,490	1,323,583	-	-	112,571,532
–Held for trading	21,149	-	-	-	20	-	21,169
–Held to maturity	-	-	-	-	–	143,196	143,196
Other assets	273,500	1,566	196,833	1,135	133,867	336,119	943,020
Total assets	242,910,962	23,407,943	58,601,565	6,200,788	1,000,227	8,405,254	340,526,739
Liabilities							
Deposits from other banks	122,767	124,344	-	-	-	-	247,111
Due to customers	230,337,660	23,088,976	58,213,626	6,160,204	999,636	7,875,427	326,675,529
Other liabilities	87,010	813	36,179	5,208	14	511,147	640,371
Total liabilities	230,547,437	23,214,133	58,249,805	6,165,412	999,650	8,386,574	327,563,011
Net currency exposure	12,363,525	193,810	351,760	35,376	577	18,680	12,963,728

(expressed in United States dollars)

3 Financial risk management*…continued*

Interest rate risk
Cash flow interest rate risk is the risk that the 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 value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial situation and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken.

Fair value interest rate risk arises from debt securities classified as available for sale. At 31 December 2015, if market interest rates had been 0.5% higher/lower with all variables held constant, equity for the year would have been $44,114 (2014 – $22,376) higher/lower as a result of the decrease/increase in fair value of available-for-sale debt securities.

Cash flow interest rate risk arises from loans and advances to customers at variable rates. At 31 December 2015 if variable interest rates had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been $24,406 (2014 – $24,387) higher/lower.

Cash flow interest rate risk also arises from cash and cash equivalent at variable rates. At 31 December 2015 if variable interest rates had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been $1,008,870/($665,854) (2014 – $1,092,125/($819,093)) higher/lower.

The table overleaf summaries the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

(expressed in United States dollars)

3 Financial risk management…*continued*

Interest rate risk…*continued*

	Up to 1 month $	1 – 3 months $	3 – 12 months $	1 – 5 years $	>5 years $	Non-interest bearing $	Total $
As at 31 December 2015							
Financial assets							
Cash and cash equivalents	185,004,090	5,078,726	-	-	-	11,691,299	201,774,115
Investment securities:							
− Available-for-sale	12,136,283	1,595,618	5,572,091	67,081,234	19,855,938	12,154,160	118,395,324
− Held-for-trading	-	-	-	-	-	17,431	17,431
− Held-to-maturity	-	-	6,494,615	1,056,554	-	-	7,551,169
Loans and advances to customers	407,978	-	5,633,527	27,366	-	-	6,068,871
Other assets	851,271	-	-	-	-	-	851,271
Total financial assets	198,399,622	6,674,344	17,700,233	68,165,154	19,855,938	23,862,890	334,658,181
Financial liabilities							
Deposits from other banks	226,302	-	-	-	-	-	226,302
Due to customers	24,659,778	1,372,778	8,322,660	-	-	286,808,833	321,164,049
Other liabilities	920	2,136	44,558	-	-	388,346	435,960
Total financial liabilities	24,887,000	1,374,914	8,367,218	-	-	287,197,179	321,826,311
Net interest repricing gap	173,512,622	5,299,430	9,333,015	68,165,154	19,855,938	(263,334,289)	12,831,870

(expressed in United States dollars)

3 Financial risk management*…continued*

Interest rate risk*…continued*

	Up to 1 month $	1 – 3 months $	3 – 12 months $	1 – 5 years $	>5 years $	Non-interest bearing $	Total $
As at 31 December 2014							
Financial assets							
Cash and cash equivalents	122,366,493	95,661,326	-	-	-	539,148	218,566,967
Investment securities:							
− Available-for-sale	1,131,827	936,988	4,409,256	57,755,397	38,768,113	9,569,951	112,571,532
− Held-for-trading	-	-	-	-	-	21,169	21,169
− Held-to-maturity	-	-	143,196	-	-	-	143,196
Loans and advances to customers	-	2,939,901	463,518	4,877,436	-	-	8,280,855
Other assets	-	-	-	-	-	943,020	943,020
Total financial assets	123,498,320	99,538,215	5,015,970	62,632,833	38,768,113	11,073,288	340,526,739
Financial liabilities							
Deposits from other banks	117,327	-	-	-	-	129,784	247,111
Due to customers	27,948,886	2,491,438	4,971,899	4,877,436	-	286,385,870	326,675,529
Other liabilities	569,571	16,747	7,346	46,707	-	-	640,371
Total financial liabilities	28,635,784	2,508,185	4,979,245	4,924,143	-	286,515,654	327,563,011
Net interest repricing gap	**94,862,536**	**97,030,030**	**36,725**	**57,708,690**	**38,768,113**	**(275,442,366)**	**12,963,728**

(expressed in United States dollars)

3 Financial risk management…*continued*

Interest rate risk…*continued*

The table below summarizes the effective interest rate by major currencies for monetary financial instruments not carried at fair value through profit or loss.

	USD %	GBP %	EUR %	AUD %	CAD %	Other %
At 31 December 2015						
Assets						
Cash and cash equivalents	**0.00-2.00**	**000-0.54**	**-**	**0.00-1.99**	**0.00-0.33**	**0.00-4.12**
Investment securities:						
- Held-to-maturity	**0.00-1.75**	**-**	**0.00-1.77**	**-**	**-**	**0.00-3.5**
- Available-for-sale	**0.00-4.33**	**2.85-2.93**	**0.00-1.96**	**4.04-4.05**	**-**	**-**
Loans and advances to customers	**0.734-3.25**	**0.00-6.00**	**0.00-0.10**	**-**	**-**	**-**
Liabilities						
Deposits from other banks	**0.00-0.45**	**-**	**-**	**-**	**-**	**-**
Due to customers	**0.00-0.44**	**0.00-0.26**	**0.00-0.25**	**0.00-1.45**	**0.00-0.27**	**-**

	USD %	GBP %	EUR %	AUD %	CAD %	Other %
At 31 December 2014						
Assets	0.00-2.50	0.00-0.49	-	0.00-2.75	0.00-0.79	0.00-3.49
Cash and cash equivalents						
Investment securities:						
- Held-to-maturity	-	-	-	-	-	3.25
- Available-for-sale	1.64-8.18	3.09-3.65	1.93-2.96	4.68-4.89	-	-
Loans and advances to customers	0.52-2.00	-	0.00-1.10	-	-	-
Liabilities						
Deposits from other banks	0.00-0.45	-	-	-	-	-
Due to customers	0.00-1.15	0.00-0.73	0.00-0.25	0.75-1.80	0.00-0.40	0.00-0.75

(expressed in United States dollars)

3 Financial risk management*…continued*

Liquidity risk
The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts and maturing deposits. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board of Directors sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be placed to cover withdrawals at unexpected levels of demand.

Liquidity risk management
The matching and controlled mismatching of the maturities and interest rates and liabilities is fundamental to the management of the Group. It is unusual for banks to be completely matched as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

Non-derivative cash flows
The table below presents the cash flows receivable and payable by the Group under non-derivative financial assets and liabilities by remaining contractual maturities at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows.

Assets held for managing liquidity risk
The Group holds a diversified portfolio of investment securities to support payment obligations. The Group's assets held for managing liquidity risk comprise cash, certificate of deposits, other investments, loans and advances to customers.

The Group would be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources.

(expressed in United States dollars)

3 Financial risk management…*continued*

Liquidity risk…*continued*

At 31 December 2015	Up to 1 month $	1 – 3 months $	3 – 12 months $	1 – 5 years $	Over 5 years $	Total $
Deposits from other banks	**226,302**	**-**	**-**	**-**	**-**	**226,302**
Due to customers	**311,540,050**	**1,382,379**	**8,349,295**	**-**	**-**	**321,271,724**
Other liabilities	**388,819**	**2,136**	**45,005**	**-**	**-**	**435,960**
Total financial liabilities	**312,155,171**	**1,384,515**	**8,394,300**	**-**	**-**	**321,933,986**
Cash and cash equivalent	**197,103,095**	**5,095,392**	**-**	**-**	**-**	**202,198,487**
Loans and advances to customers	**407,978**	**-**	**5,700,930**	**28,967**	**-**	**6,137,875**
Investment securities						
–Available for sale	**11,761,352**	**1,602,122**	**5,642,270**	**72,406,895**	**37,204,274**	**128,616,913**
–Held for trading	**17,431**	**-**	**-**	**-**	**-**	**17,431**
–Held to maturity	**-**	**-**	**6,560,061**	**1,100,273**	**-**	**7,660,334**
Other assets	**851,271**	**-**	**-**	**-**	**-**	**851,271**
Assets held for managing liquidity risk	**210,141,127**	**6,697,514**	**17,903,261**	**73,536,135**	**37,204,274**	**345,482,311**

At 31 December 2014	Up to 1 month $	1 – 3 months $	3 – 12 months $	1 – 5 years $	Over 5 years $	Total $
Deposits from other banks	247,111	-	-	-	-	247,111
Due to customers	314,335,356	2,491,464	4,989,237	4,877,943	-	326,694,000
Other liabilities	569,571	16,747	7,345	46,708	-	640,371
Total financial liabilities	315,152,038	2,508,211	4,996,582	4,924,651	-	327,581,482
Cash and cash equivalent	122,366,493	86,196,933	14,557,089	-	-	223,120,515
Loans and advances to customers	-	-	3,437,934	4,905,061	-	8,342,995
Investment securities						
–Available for sale	10,997,322	938,416	4,434,926	64,040,251	42,354,617	122,765,532
–Held for trading	21,169	-	-	-	-	21,169
–Held to maturity	-	-	144,589	-	-	144,589
Other assets	943,020	-	-	-	-	943,020
Assets held for managing liquidity risk	134,328,004	87,135,349	22,574,538	68,945,312	42,354,617	355,337,820

(expressed in United States dollars)

3 Financial risk management…*continued*

Fair value of financial assets and liabilities

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists.

The fair values of cash resources, other financial assets and other financial liabilities are assumed to approximate their carrying values due to their short term nature.

The fair values of held for trading financial assets are assumed to be equal to the estimated market value. The fair values of unquoted securities are estimated at book value which is not significantly different from their carrying values.

Fair value for held-to-maturity assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

Deposits from banks and due to customers
The estimated fair values of deposits and due to other banks with no stated maturity, which includes non-interest bearing deposits, is the amount payable on demand. Deposits payable on a fixed date are at rates, which reflect market conditions and are assumed to have fair values which approximate carrying values.

Loans and advances to customers
The estimated fair values of loans and advances to customers reflect changes in interest rates that have occurred since the loans were originated and are determined by discounting contractual future cash flows, over the remaining term to maturity, at current interest rates. Due to the short term nature of the loans and advances to customers the estimated fair values of loans is not significantly different from their carrying values.

Investment securities
The fair value for loans and receivables that are held-to-maturity assets are based on market process or broker/ dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

Investment securities (available-for-sale) disclosed in the table below comprises only those equity securities held at cost less impairment. The fair value for these assets is based on estimations using market prices and earnings multiples of quoted securities with similar characteristics. All other available-for-sale assets are already measured and carried at fair value.

(expressed in United States dollars)

3 Financial risk management*…continued*

Fair value of financial assets and liabilities*…continued*

Investment securities*…continued*
The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's statement of financial position at their fair value.

	Carrying value		Fair value	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Financial assets				
− Held to maturity	**7,551,169**	143,196	**7,696,023**	144,477
− Loans and advances to customers	**6,068,871**	8,280,855	**6,137,876**	8,345,055
Financial liabilities				
− Due to customers	**321,164,049**	326,675,529	**321,404,262**	326,694,000

Management assessed that cash and short term deposits, loans and advances to customers, trade receivables trade payables and other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values of assets and liabilities:
The Group's interest-bearing borrowings and loans are determined by using DCF method using the discount rate that reflects the average rates at the end of the period.

Fair value hierarchy
IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair value of financial instruments traded in active markets is based on quoted market prices at the consolidated financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price.

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

(expressed in United States dollars)

3 Financial risk management…*continued*

Fair value hierarchy…*continued*

- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

	2015				2014			
	Level 1 $	**Level 2 $**	**Level 3 $**	**Total $**	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Assets and liabilities measured at fair value								
Financial assets held for trading								
Equity securities	**17,431**	**-**	**-**	**17,431**	21,169	-	-	21,169
	17,431	**-**	**-**	**17,431**	21,169	-	-	21,169
Financial assets available for sale								
Debt securities	**-**	**109,443,669**	**6,535,463**	**115,979,132**	-	103,001,581	7,413,268	110,414,849
Equity securities	**2,416,192**	**-**	**-**	**2,416,192**	2,156,683	-	-	2,156,683
	2,416,192	**109,443,669**	**6,535,463**	**118,395,324**	2,156,683	103,001,581	7,413,268	112,571,532
Total financial assets	**2,433,623**	**109,443,669**	**6,535,463**	**118,412,755**	2,177,852	103,001,581	7,413,268	112,592,701

(expressed in United States dollars)

3 Financial risk management…*continued*

Fair value hierarchy…*continued*

Assets for which fair values are disclosed

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2015				
Loans and receivable				
Held to maturity investments	**-**	**7,551,169**	**-**	**7,551,169**
Loans and advances to customers	**-**	**6,068,871**	**-**	**6,068,871**
Total financial assets	**-**	**13,620,040**	**-**	**13,620,040**
31 December 2014				
Loans and receivable				
Held to maturity investments	-	143,196	-	143,196
Loans and advances to customers	-	8,280,855	-	8,280,855
Total financial assets	-	8,424,051	-	8,424,051

Liabilities for which fair values are disclosed

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2015				
Deposits from other banks	**-**	**226,302**	**-**	**226,302**
Due to customers	**-**	**321,164,049**	**-**	**321,164,049**
Total financial liabilities	**-**	**321,390,351**	**-**	**321,390,351**
31 December 2014				
Deposits from other banks	-	247,111	-	247,111
Due to customers	-	326,675,529	-	326,675,529
Total financial liabilities	-	326,922,640	-	326,922,640

(expressed in United States dollars)

3 Financial risk management*…continued*

Fair value hierarchy*…continued*

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily DAX, FTSE 100 and Dow Jones debt securities classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter fixed income securities) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the statement of financial position date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table presents the changes in level 3 instruments for the year ended 31 December 2015.

	Fair value	
	2015	**2014**
	$	**$**
At beginning of year	**7,413,268**	8,427,549
Movement	**(877,805)**	(1,014,281)
At end of year	**6,535,463**	7,413,268

There were no gains or losses for the period included in the statement of income or comprehensive income for assets held at 31 December 2015.

The Level 3 amount of $6,535,463 (2014 - $7,413,268) above represents a bond purchased as part of structured financing for a customer. Although the bond is unlisted, the credit risk attached to the bond is considered low as the amount of the bond is fully cash secured by the customer.

(expressed in United States dollars)

3 Financial risk management…*continued*

Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statements of financial position, are:

- To comply with the capital requirements set by the regulator of the banking markets where the entities within the Group operate;

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the guidelines developed by Financial Services Regulatory Authority (the Authority), for supervisory purposes. The required information is filed with the Authority on a quarterly basis.

The Authority requires each bank or banking group to: (a) hold the minimum level of the regulatory capital of $1,000,000, and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Basel capital ratio') at or above the prescribed regulatory minimum of 4% and maintain a ratio of total regulatory Tier 11 capital to the risk-weighted asset (the 'Basel capital adequacy ratio') at or above the prescribed regulatory minimum of 8%.

The Group's regulatory capital as managed by its Treasury is divided into two tiers:

- Tier 1 capital: share capital (net of any book values of the treasury shares), minority interests arising on consolidation from interests in permanent equity, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and

- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available for sale.

Investments in associates are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of − and reflecting an estimate of credit, market and other risks associated with − each asset and counterparty, taking into account any eligible collateral or guarantees.

(expressed in United States dollars)

3 Financial risk management*…continued*

Capital management*…continued*

The table below summarises the composition of regulatory capital and the ratios of the Group for the years ended 31 December. During those two years, the Group complied with all of the externally imposed capital requirements to which they are subject.

	2015 $	2014 $
Tier 1 capital		
Share capital	**5,000,000**	5,000,000
Reserves	**4,326,508**	3,448,463
Retained earnings	**6,921,676**	5,291,022
	16,248,184	13,739,485
Tier 2 capital		
Unrealised loss– available for sale investment	**(2,087,809)**	(485,091)
Total regulatory capital	**14,160,375**	13,254,394
Risk-weighted assets		
On-statement of financial position	**168,498,523**	157,518,611
Basel capital adequacy ratio	**8.40%**	8.41%
Basel capital ratio Tier 1	**9.64%**	8.72%

4 Critical accounting estimates, and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Held-to-maturity investments

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost. If the entire held-to-maturity investments are tainted, there would be no change in the fair value and the statement of comprehensive income.

(expressed in United States dollars)

4 Critical accounting estimates, and judgements…*continued*

Impairment of available-for-sale equity investments
The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows. There were no significant declines in fair value during the year.

Impairment of assets carried at fair value
The Group determines that available-for-sale and held for trading equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

The Group individually assesses available-for-sale debt securities for objective evidence of impairment. If an impaired instrument has been renegotiated, interest continues to be accrued on the reduced carrying amount of the asset and is recorded as part of "interest income". If the fair value of the instrument increases in a subsequent year, the impairment loss is reversed through the consolidated statement of income.

Fair value of financial instruments
Financial instruments where recorded current market transactions or observable market data are not available at fair value using valuation techniques. Fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Group's best estimates of the most appropriate model assumptions.

5 Cash and cash equivalents

	2015 **$**	**2014** **$**
Cash in hand	**741**	707
Due from other banks	**116,791,806**	122,932,717
Term deposits	**84,981,568**	95,633,543
	201,774,115	218,566,967

The weighted average effective interest rate on interest bearing accounts across all currencies at 31 December 2015 was 0.33% (2014 – 0.43%).

(expressed in United States dollars)

6 Loans and advances to customers

	2015 $	2014 $
Term loans	**6,068,871**	8,280,855
Current	**407,978**	3,403,419
Non-current	**5,660,893**	4,877,436
	6,068,871	8,280,855

The weighted average effective interest rate on loans and advances to customers at 31 December 2015 was 1.09% (2014 – 1.46%).

All loans and advances to customers are issued by the parent company BOSLIL. It is BOSLIL's policy that all loans granted are fully cash secured. At the discretion of the Board of Directors, and subject to regulatory approval, other types of security may be considered. As at 31 December 2015, the loans issued by BOSLIL were cash secured $6,068,871 (2014 – $8,280,855).

7 Investment securities

	2015 $	2014 $
Available-for-sale		
Equity securities - listed	**2,416,192**	2,156,684
Debt securities – listed	**109,443,669**	103,001,579
Debt securities – unlisted	**6,535,463**	7,413,269
	118,395,324	112,571,532
Held for trading		
Equity securities -listed	**17,431**	21,169
	17,431	21,169

Included in debt securities is an amount of $16,360,750 (2014 – $14,808,853) which represents investments in mutual funds of which the underlying securities are debt securities. The weighted average effective interest rate on debt securities at 31 December 2015 was 2.56% (2014 – 2.45%).

(expressed in United States dollars)

7 Investment securities...*continued*

	2015 $	2014 $
Held-to-maturity		
Debt securities at amortised cost	**7,551,169**	143,196

The weighted average effective interest rate on securities held-to-maturity stated at amortised cost at 31 December 2015 was 1.83% (2014 – 3.25%).

Movement in investment securities may be summarised as follows:

	Held to maturity $	Held for trading $	Available for sale $	Total $
At 1 January 2015	**143,196**	**21,169**	**112,571,532**	**112,735,897**
Exchange differences on monetary assets	**-**	**-**	**(2,408,471)**	**(2,408,471)**
Additions	**7,407,973**	**-**	**36,448,497**	**43,856,470**
Disposals (sale and redemption)	**-**	**(3,738)**	**(26,613,516)**	**(26,617,254)**
Changes in fair value	**-**	**-**	**(1,602,718)**	**(1,602,718)**
At 31 December 2015	**7,551,169**	**17,431**	**118,395,324**	**125,963,924**
At 1 January 2014	581,292	66,034	97,324,243	97,971,569
Exchange differences on monetary assets	(40,048)	(2,801)	(3,092,758)	(3,135,607)
Additions	8,546	-	64,826,072	64,834,618
Disposals (sale and redemption)	(406,594)	(42,064)	(46,058,354)	(46,507,012)
Changes in fair value	-	-	(427,671)	(427,671)
At 31 December 2014	143,196	21,169	112,571,532	112,735,897

(expressed in United States dollars)

8 Property and equipment

	Leasehold Improvements $	Office Furniture and Equipment $	Computer Equipment $	Motor Vehicle $	Total $
Year ended 31 December 2014					
Opening net book value	-	162,312	-	-	162,312
Additions	33,230	76,532	20,325	55,261	185,348
Disposals at cost	-	(31,932)	-	(40,457)	(72,389)
Accumulated depreciation on disposal	-	5,663	-	40,457	46,120
Depreciation charge (Note 19)	(2,077)	(20,801)	(3,242)	(4,605)	(30,725)
Closing net book amount	31,153	191,774	17,083	50,656	290,666
At 31 December 2014					
Cost	33,230	258,723	158,225	55,261	505,439
Accumulated depreciation	(2,077)	(66,949)	(141,142)	(4,605)	(214,773)
Net book value	31,153	191,774	17,083	50,656	290,666
Year ended 31 December 2015					
Opening net book value	31,153	191,774	17,083	50,656	290,666
Additions	-	16,883	285,958	-	302,841
Depreciation charge (Note 19)	(4,154)	(23,822)	(22,596)	(11,052)	(61,624)
Closing net book amount	26,999	184,835	280,445	39,604	531,883
At 31 December 2015					
Cost	33,230	275,606	444,183	55,261	808,280
Accumulated depreciation	(6,231)	(90,771)	(163,738)	(15,657)	(276,397)
Net book value	26,999	184,835	280,445	39,604	531,883

(expressed in United States dollars)

9 Intangible assets

	Total $
Year ended 31 December 2015	
Opening net book value	**-**
Additions	**843,482**
Amortisation charge (Note 19)	**(46,860)**
Closing net book amount	**796,622**
At 31 December 2015	
Cost	**843,482**
Accumulated amortisation	**(46,860)**
Net book value	**796,622**

10 Other assets

	2015 $	2014 $
Interest receivable on cash and cash equivalent	**27,613**	59,443
Prepaid expenses	**211,790**	541,630
Accounts receivable	**611,868**	341,947
	851,271	943,020

11 Deposits to other banks

	2015 $	2014 $
Term deposits	**117,686**	117,327
Non-interest bearing	**108,616**	129,784
	226,302	247,111

The weighted average interest rate at 31 December 2015 was 0.30% (2014 – 0.15%).

(expressed in United States dollars)

12 Due to customers

	2015 $	2014 $
Time deposits	**19,889,860**	18,722,342
Demand deposits:		
Interest bearing accounts	**14,465,355**	19,796,072
Non-interest bearing accounts	**285,633,450**	286,385,870
Money market accounts	**1,175,349**	1,771,210
Sweep accounts	**35**	35
	321,164,049	326,675,529

	2015 $	2014 $
Current	**312,841,389**	316,826,194
Non-current	**8,322,660**	9,849,335
	321,164,049	326,675,529

The weighted average effective interest rate on customers' time deposits at 31 December 2015 was 0.53% (2014 – 0.39%). The weighted average effective interest rate for interest bearing accounts for December 2015 was 0.47 % (2014 – 0.47%). The weighted average effective interest rate on money market accounts and sweep accounts at 31 December 2015 was 0 % (2014 – 0%). Included in the category non-interest bearing accounts is an amount of $20,392 (2014 – $175,104) which represents funds placed on deposit for which returns will be paid in the future based on the performance of certain of BOSLIL's held for trading portfolio. The effective interest is dependent on the return achieved by the Bank in respect of such investments.

13 Other liabilities

	2015 $	2014 $
Other payables	**37,646**	47,941
Interest payable	**47,614**	54,052
Accounts payable	**350,700**	538,378
	435,960	640,371

(expressed in United States dollars)

14 Share capital

	Number of shares	2015 $	Number of shares	2014 $
Authorised:				
Unlimited ordinary shares up to $100,000,000				
Issued and fully paid				
At beginning and end of year	**50,000**	**5,000,000**	50,000	5,000,000

15 Net interest income

	2015 $	2014 $
Interest income		
Cash and cash equivalents	**737,262**	915,786
Available for sale investments	**2,989,751**	2,546,311
Held to maturity investments	**57,159**	7,695
Loans and advances to customers	**83,204**	162,812
	3,867,376	3,632,604
Interest expense		
Due to customers	**(226,319)**	(226,314)
Deposits to other banks	**(487)**	(528)
	(226,806)	(226,842)
Net interest income	**3,640,570**	3,405,762

16 Fees and commission income, net

	2015 $	2014 $
Investment management fees	**101**	1,328
Other fees and commissions	**2,439,807**	2,185,644
	2,439,908	2,186,972

Investment management fees are earned from investments made by BOSLIL and for which the return from these investments is shared with the customers.

(expressed in United States dollars)

17 Net foreign exchange trading income

	2015 $	2014 $
Unrealised foreign exchange losses, net	**(12,542)**	(55,076)
Realised foreign exchange gains	**785,220**	834,911
	772,678	779,835

18 Other income

Other income relates primarily to realized gains from sale of available-for-sale investments.

19 Operating expenses

	2015 $	2014 $
Employee benefit expense (Note 20)	**2,263,994**	2,160,874
Corporate service fees	**-**	-
Fees and other expenses	**673,652**	663,155
Legal and professional fees	**115,505**	159,913
Other operating expenses	**53,527**	51,958
Advertising and promotion	**85,893**	156,286
Travel and entertainment	**139,847**	90,581
Depreciation (Note 8)	**61,624**	30,725
Amortisation (Note 9)	**46,860**	-
Utilities	**167,889**	194,905
Rent	**240,456**	228,109
Government fees	**66,262**	65,760
Computer expenses	**207,695**	38,476
Directors' fees	**53,516**	36,294
Office supplies	**41,215**	29,292
Loss on disposal of plant and equipment	**-**	26,269
SWIFT related charges	**54,362**	20,368
	4,272,297	3,952,965

(expressed in United States dollars)

20 Employee benefit expense

	2015 $	2014 $
Wages and salaries	**1,654,734**	1,651,468
Other staff costs	**609,260**	509,406
	2,263,994	2,160,874

The number of employees at 31 December 2015 was 46 (2014 – 42).

21 Related party transactions and balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions.

The Group is controlled by Eastern Caribbean Financial Holding Company Limited, which owns 100% of the ordinary shares. The Group is related to Bank of Saint Lucia Limited by common control and ownership.

Bank accounts are held with Bank of Saint Lucia Limited.

	2015 $	2014 $
Cash and cash equivalents	**550,461**	8,296,354
Held-to-maturity investments	**6,393,842**	143,196
	6,944,303	8,439,550

The above bank accounts are held in the normal course of business on commercial terms and conditions.

The following transactions were carried out with related parties:

	2015 $	2014 $
Interest income from cash and cash equivalents	**99,884**	185,940
Interest income from held to maturity investments	**55,890**	5,266
Bank charges	**(942)**	(1,212)
Handling Fee	**(10,044)**	(10,885)
Rent	**(226,056)**	(228,109)

Transactions with related parties were carried out on commercial terms and conditions.

(expressed in United States dollars)

21 Related party transactions and balances*…continued*

Transactions with officers and directors

In 2005, the Group entered into an agreement with a company to assume part of its banking business. As a result of this agreement, a representative of the company was granted a directorship on the board of the Group. The Group paid fees to this company based on the level of deposits and the income generated from the business acquired. The amounts accrued and paid during 2015 as a result of this relationship were nil (2014 – $9,000). This relationship ended in February 2014.

Key management compensation

Key management includes the bank's complete management team. The compensation paid or payable to key management for employee services is shown below:

	2015 **$**	**2014** **$**
Salaries and other short-term benefits	**717,538**	532,704
Pension	**12,936**	5,846
	730,474	538,550

22 Taxation

Pursuant to the International Business Companies section 109 (1a) the Bank has elected to be exempt from tax.

23 Reserves

It is the policy of the Group to maintain a general reserve for reinvestment in operations. Transfers to the reserve are based on a maximum of 35% of the consolidated Group's profit for the year.

	2015 **$**	**2014** **$**
At beginning of year	**3,448,463**	2,342,781
Transfer to reserves	**878,045**	1,105,682
At end of year	**4,326,508**	3,448,463

(expressed in United States dollars)

24 BOSLIL Corporate Services Limited ("BCSL")

BCSL as a regulated entity is required to be audited, however since the Company is being audited as part of the BOSLIL consolidated statements, a request was made to the Financial Services Regulatory Authority ("FSRA") to forego preparation of separate audited statements but rather to have the financial performance of BCSL included as a note in the BOSLIL statements. This request was approved on condition that a specific disclosure would be included in BOSLIL's Consolidated Financial Statements.

BCSL Statement of Income for the year ended 31 December 2015.

	BCSL 2015 $	**BCSL 2014 $**
Fee and commission income, net	**95,086**	103,529
Other income	**716**	137
Net foreign exchange income	**-**	-
Total income	**95,802**	103,666
Operating expenses	**(112,039)**	(158,857)
Loss for the year	**(16,237)**	(55,191)

(expressed in United States dollars)

24 BOSLIL Corporate Services Limited ("BCSL") *...continued*

BCSL Statement of Financial Position as at 31 December 2015.

	BCSL 2015 $	BCSL 2014 $
Assets		
Cash and cash equivalent	**347,533**	274,807
Equipment	**2,568**	3,049
Due from related party	**10,625**	18,682
Other assets	**18,823**	15,080
Total assets	**379,549**	311,618
Liabilities		
Other liabilities	**26,062**	40,186
Due to related party	**651,216**	552,923
Total liabilities	**677,278**	593,109
Equity		
Share capital	**100**	100
Accumulated deficit	**(297,829)**	(281,591)
Total equity	**(297,729)**	(281,491)
Total liabilities and equity	**379,549**	311,618

(expressed in United States dollars)

25 Mutual Funds – BOSLIL Bond Fund Limited

The private mutual funds are not required to be audited. The amounts material to Group were audited and are presented as a note in the BOSLIL consolidated financial statements.

BOSLIL Bond Fund Limited
Statement of Operations for the year ended 31 December 2015.

	2015 $	2014 $
Interest income	**208,321**	205,023
Realized gains	**12,534**	56,849
	220,855	261,872
Custody fees	**(13,780)**	(8,903)
Management fees on investments	**(41,756)**	(41,509)
Net Investment Income	**165,319**	211,460
Operating expenses	**(5,800)**	(6,100)
Increase in Net Assets from Operations	**159,519**	205,360

(expressed in United States dollars)

25 Mutual Funds – BOSLIL Bond Fund Limited*...continued*

BOSLIL Bond Fund Limited
Statement of Net Assets as at 31 December 2015

	2015 $	2014 $
Assets		
Cash and cash equivalent	**89,268**	270,843
Investment securities – Available-for sale	**5,542,406**	5,112,359
Other assets	**500**	50,725
Total assets	**5,632,174**	5,433,927
Liabilities		
Other liabilities	**44,485**	30,665
Total liabilities	**44,485**	30,665
Net assets	**5,587,689**	5,403,262
Net assets consists of:		
Share capital	**1**	1
Mutual fund shares	**5,000,000**	5,000,000
Unrealized loss on investments	**(138,628)**	(163,536)
Retained earnings	**726,316**	566,797
Net Assets	**5,587,689**	5,403,262

(expressed in United States dollars)

26 Mutual Funds – BOSLIL Equity Fund Limited

The private mutual funds are not required to be audited. The amounts material to Group were audited and are presented as a note in the BOSLIL consolidated financial statements.

BOSLIL Equity Fund Limited
Statement of Operations for the year ended 31 December 2015.

	2015 $	2014 $
Dividend income	**39,352**	19,924
Realized gains	**406,562**	80,519
Other income	**66,445**	17,030
	512,359	117,473
Commission paid on trading activity	**(3,001)**	(951)
Custody fees	**(4,961)**	(6,381)
Management fees on investments	**(42,585)**	(23,501)
Net Investment Income	**461,812**	86,640
Operating expenses	**(5,758)**	(6,100)
Increase in Net Assets from Operations	**456,054**	80,540

(expressed in United States dollars)

26 Mutual Funds –Equity Fund Limited...*continued*

Statement of Net Assets as at 31 December 2015:

	2015 $	2014 $
Assets		
Cash and cash equivalent	**1,453**	243,927
Investment securities – Available-for sale	**2,416,192**	2,156,684
Other assets	**27,565**	759
Total assets	**2,445,210**	2,401,370
Liabilities		
Other liabilities	**44,051**	48,839
Total liabilities	**44,051**	48,839
Net assets	**2,401,159**	2,352,531
Net assets consists of:		
Share capital	**1**	1
Mutual fund shares	**2,000,000**	2,000,000
Unrealized (loss)/gain on investments	**(76,930)**	330,496
Retained earnings	**478,088**	22,034
Net assets	**2,401,159**	2,352,531