KPMG Eastern Caribbean
Morgan Building
L'Anse Road
P.O. Box 1101
Castries, St. Lucia

Telephone (758) 453-1471
(758) 453-0625
Fax (758) 453-6507
e-Mail kpmg@kpmg.lc

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
STERLING INVESTMENTS LIMITED

We have audited the financial statements of Sterling Investments Limited ("the Company") set out on pages 3 to 34, which comprise the statement of financial position as at December 31, 2015, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 as to whether or not the financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of
STERLING INVESTMENTS LIMITED

Opinion

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

KPMG

KPMG Eastern Caribbean
February 20, 2016

Castries, Saint Lucia

STERLING INVESTMENTS LIMITED

Statement of Financial Position
December 31, 2015

	Notes	2015	2014
Assets			
Cash and cash equivalents	4	213,152	1,343,020
Accounts receivable	5	27,731,676	18,963,875
Investment securities	6	907,825,257	766,737,135
Total assets		$935,770,085	787,044,030
Liabilities			
Margin loans payable	7	214,341,641	223,886,387
Other payables	8	14,039,600	12,508,133
Due to related company	9(c)(i)	13,124,190	10,650,889
Manager's preference shares	10	10,000	10,000
Income tax payable		366,028	495,510
Total liabilities		241,881,459	247,550,919
Equity			
Share capital	11	627,796,101	437,296,904
Fair value reserve	12	(78,774,046)	10,976,493
Retained earnings		144,866,571	91,219,714
Total equity		693,888,626	539,493,111
Total liabilities and equity		$935,770,085	787,044,030

The financial statements on pages 3 to 34 were approved for issue by the Board of Directors on February 20, 2016 and signed on its behalf by:

Director
Charles Ross

Director
Maxim Rochester

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

STERLING INVESTMENTS LIMITED

Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2015

	Notes	2015	2014
Revenue	13		
Interest income		72,778,939	55,016,387
Foreign exchange gains		34,073,892	36,708,090
Gains on disposal of available-for-sale securities		12,437,526	4,979,908
		119,290,357	96,704,385
Expenses			
Interest		(5,442,115)	(3,953,304)
Impairment loss on available-for-sale-securities		(9,651,021)	(-)
Unrealised loss on embedded derivative		(147,575)	(-)
Other operating	14	(21,719,906)	(24,541,621)
		(36,960,617)	(28,494,925)
Operating profit		82,329,740	68,209,460
Other income		8,875	7,493
Manager's preference share interest expense		(10,573,808)	(9,271,165)
Profit before taxation		71,764,807	58,945,788
Taxation	15	(596,800)	(315,089)
Profit for the year		71,168,007	58,630,699
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Realised gains on disposal of available-for-sale securities reclassified to profit for the year		(8,482,202)	(2,765,914)
Unrealised change in fair value of available-for-sale securities		(81,268,337)	2,923,458
		(89,750,539)	157,544
Total comprehensive (loss)/income for the year		$(18,582,532)	58,788,243
Basic earnings per stock unit	16	$ 1.53	15.09
Diluted earnings per stock unit	16	$ 1.75	17.43

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

STERLING INVESTMENTS LIMITED

Statement of Changes in Equity
Year ended December 31, 2015

	Share capital (note 11)	Fair value reserve (note 12)	Retained earnings	Total
Balances at December 31, 2013	387,469,691	10,818,949	42,089,858	440,378,498
Comprehensive income:				
Profit for the year	-	-	58,630,699	58,630,699
Other comprehensive income:				
Items that may be reclassified to profit or loss				
Realised gains on disposal of available-for-sale securities reclassified to profit	-	(2,765,914)	-	(2,765,914)
Unrealised change in fair value of available-for-sale securities	-	2,923,458	-	2,923,458
Total other comprehensive income	-	157,544	-	157,544
Total comprehensive income	-	157,544	58,630,699	58,788,243
Transactions with owners				
Shares issued during the year	49,827,213	-	-	49,827,213
Dividends (note 17)	-	-	(9,500,843)	(9,500,843)
	49,827,213	-	(9,500,843)	40,326,370
Balances at December 31, 2014	437,296,904	10,976,493	91,219,714	539,493,111
Comprehensive income:				
Profit for the year	-	-	71,168,007	71,168,007
Other comprehensive income:				
Items that may be reclassified to profit or loss				
Realised gains on disposal of available-for-sale securities reclassified to profit	-	(8,482,202)	-	(8,482,202)
Unrealised change in fair value of available-for-sale securities	-	(81,268,337)	-	(81,268,337)
Total other comprehensive income	-	(89,750,539)	-	(89,750,539)
Total comprehensive (loss)/income	-	(89,750,539)	71,168,007	(18,582,532)
Transactions with owners:				
Shares issued during the year	190,499,197	-	-	190,499,197
Dividends (note 17)	-	-	(17,521,150)	(17,521,150)
	190,499,197	-	(17,521,150)	172,978,047
Balances at December 31, 2015	$627,796,101	(78,774,046)	144,866,571	693,888,626

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

STERLING INVESTMENTS LIMITED

Statement of Cash Flows
Year ended December 31, 2015

	2015	2014
Cash flows from operating activities		
Profit for the year	71,168,007	58,630,699
Adjustments for:		
Interest income	(72,778,939)	(55,016,387)
Interest expense	5,442,115	3,953,304
Impairment loss on available-for-sale securities	9,651,021	-
Unrealised loss on embedded derivative	147,575	-
Taxation	596,800	315,089
Manager's preference share interest expense	10,573,808	9,271,165
	24,800,387	17,153,870
Changes in:		
Accounts receivable	3,878	(2,008)
Margin loans payable	(9,544,746)	192,334,437
Other payables	228,824	1,811,968
Due to related company	2,473,301	2,850,919
	17,961,644	214,149,186
Interest received	64,007,260	45,765,685
Interest paid	(5,442,115)	(3,953,304)
Tax paid	(726,282)	-
Net cash provided by operating activities	75,800,507	255,961,567
Cash flows from investing activity		
Investment securities, being net cash used by investing activity	(240,637,257)	(288,047,892)
Cash flows from financing activities		
Issue of ordinary shares	190,499,197	49,827,213
Manager's preference shares interest paid	(9,271,165)	(10,362,673)
Dividends paid	(17,521,150)	(9,500,843)
Net cash provided by financing activities	163,706,882	29,963,697
Decrease in cash and cash equivalents	(1,129,868)	(2,122,628)
Cash and cash equivalents at beginning of year	1,343,020	3,465,648
Cash and cash equivalents at end of year	$ 213,152	1,343,020

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

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements
Year ended December 31, 2015

1. Identification

Sterling Investments Limited ("the Company") was incorporated on August 21, 2012 in Saint Lucia under the International Business Companies Act, and commenced operations on December 1, 2012. The Company's registered office is located at 20 Micoud Street, Castries, Saint Lucia.

The principal activities of the Company are holding and trading of tradable and other securities and other investments.

The Company has no employees and its activities are administered by Sterling Asset Management Limited to which management fees are paid [note 9(c)(ii)].

2. Statement of compliance and basis of preparation

(a) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

New, revised and amended standards and interpretations that became effective during the year

Certain new standards and interpretations, and certain amendments, which were in issue, came into effect for the current financial year. Their adoption did not result in any change in accounting policies and did not have any effect on the amounts and disclosures in the financial statements.

New, revised and amended standards and interpretations not yet effective

At the date of approval of the financial statements, certain new, revised and amended standards and interpretations, were in issue but were not yet in effect and had not been early-adopted by the Company. The Company has assessed their relevance and has determined that the following may be relevant to its operations:

- IAS 1, *Presentation of Financial Statements*, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:
  - specific single disclosures that are not material do not have to be presented even if they are the minimum requirement of a standard;
  - the order of notes to the financial statements is not prescribed;
  - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material;

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2015

2. Statement of compliance and basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

New, revised and amended standards and interpretations not yet effective (cont'd)

- IAS 1, *Presentation of Financial Statements* (cont'd)
  - specific criteria is now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirement for the statement of profit or loss and OCI; and
  - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

  The Company is assessing the impact that this amendment will have on its 2016 financial statements.

- IFRS 9*, Financial Instruments,* which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39, *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

  The Company is assessing the impact that this standard will have on its 2018 financial statements.

- IFRS 15, *Revenue from Contracts with Customers*, is effective for annual reporting periods beginning on or after January 1, 2018. It replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers*, and SIC 31, *Revenue - Barter Transactions Involving Advertising Services*. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties.

2. Statement of compliance and basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

New, revised and amended standards and interpretations not yet effective (cont'd)

- IFRS 15, Revenue *from Contracts with Customers* (cont'd)

  The Company will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

  There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

  The Company is assessing the impact that the standard will have on its 2018 financial statements.

- *Improvements to IFRS, 2012-2014* cycle, contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendments applicable to the Company are as follows:

  - IFRS 7, *Financial Instruments: Disclosures,* has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognised in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset - e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.

    IFRS 7 has also been amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets* and *Financial Liabilities (Amendment to IFRS 7)* are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of IAS 34, *Interim Financial Reporting*, require their inclusion.

2. Statement of compliance and basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

New, revised and amended standards and interpretations not yet effective (cont'd)

- *Improvements to IFRS, 2012-2014* cycle (cont'd)

    - IAS 34, *Interim Financial Reporting,* has been amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report". The interim financial report is incomplete if the interim financial statements and any disclosures incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time.

The Company is assessing the impact that these amendments will have on its 2016 financial statements.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the inclusion of available-for-sale investments at fair value.

(c) Functional and presentation currency

The financial statements are presented in Jamaican dollars, which is the functional currency of the Company.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make estimates, based on assumptions, and judgements. The estimates and judgements affect the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

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

Judgements and estimates made by management in the application of IFRS that have a significant effect on these financial statements and/or have a significant risk of material adjustment in the next financial year are set out below:

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2015

2. Statement of compliance and basis of preparation (cont'd)

(d) Use of estimates and judgements (cont'd)

(i) Judgements

For the purpose of these financial statements, which prepared in accordance with IFRS, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS.

The determination of whether a security may be classified as 'loans and receivables' (note 6) or whether a security's fair value may be classified as 'Level 1' in the fair value hierarchy (note 19) requires judgement as to whether a market is active.

(ii) Uncertainties arising from the use of estimates

(1) Allowance for impairment losses

In determining amounts recorded for impairment of debt securities and other financial assets in the financial statements, management makes assumptions in assessing whether certain facts and circumstances, such as significant financial difficulty of the issuer or obligor, repayment default, and adverse economic conditions, are indicators that there may be a measurable decrease in the estimated future cash flows from outstanding financial asset balances – i.e. they are impaired. Management also makes estimates of the likely estimated future cash flows from financial assets that it determines are impaired, as well as the timing of cash flows. If the financial assets are individually significant, the amount and timing of cash flows are estimated for each asset individually. Where indicators of impairment are not observable on individually significant assets, or on a group or portfolio of assets that are not individually significant, management estimates the impairment by classifying each financial asset or group or portfolio of financial assets according to their characteristics, such as credit risks, and applying appropriate factors, such as historical loss experience, to each class with similar characteristics.

The use of assumptions makes uncertainty inherent in such estimates.

(2) Determination of fair values

When measuring the fair value of an asset or liability, the Company uses observable data as far as possible. Fair values are categorised into different levels in a three-level fair value hierarchy based on the inputs used in the valuation techniques, as follows:

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2015

2. Statement of compliance and basis of preparation (cont'd)

(d) Use of estimates and judgements (cont'd)

(ii) Uncertainties arising from use of estimates (cont'd)

(2) Determination of fair values (cont'd)

Level 1

This includes assets and liabilities that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market 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.

Level 2

This includes assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions, and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes assets with fair values based on broker quotes and assets that are valued using a model whereby the majority of assumptions are market observable.

Level 3

This includes assets and liabilities that are measured using non-market observable inputs. This means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

In the absence of quoted market prices, the fair value of a significant proportion of the Company's assets was determined using a generally accepted alternative method. Considerable judgement is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

3. Significant accounting policies

(a) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. In these financial statements, financial assets comprise cash and cash equivalents, accounts receivable, and investment securities. Financial liabilities comprise margin loans payable, other payables, due to related company and manager's preference shares.

3. Significant accounting policies (Cont'd)

(a) Financial instruments (cont'd)

Financial instruments are classified, recognised and measured in accordance with the substance of the terms of the contracts, as set out herein.

(i) Classification of financial instruments

The Company classifies non-derivative financial assets into the following categories: Financial assets at fair value through profit or loss, loans and receivable, held-to-maturity and available-for-sale financial assets. Management determines the appropriate classification of investments at the time of purchase, taking account of the purpose for which the investments were purchased.

Fair value through profit or loss: Securities that are held for trading (i.e. acquired to generate short-term profits or are part of a portfolio of financial assets managed together for that purpose) or are designated as 'at fair value through profit or loss' upon initial recognition.

Loans and receivables: Securities acquired and loans granted with fixed or determinable payments and which are not quoted in an active market, are classified as loans and receivables.

Held-to-maturity: Securities with fixed or determinable payments and fixed maturities that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity.

Available-for-sale: Securities are classified as available-for-sale, because they are designated as such or are not classified in any of the other categories.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

(ii) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Company accounts for an embedded derivative separately from the host contract when:

- the host contract is not itself carried at fair value through profit or loss;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss, unless they form part of a qualifying cash flow or net investment hedging relationship.

3. Significant accounting policies (cont'd)

(a) Financial instruments (cont'd)

(iii) Recognition and derecognition

The Company recognises a financial instrument when it becomes a party to the contractual terms of the instrument. The Company initially recognises loans and receivables and debt securities on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains all or substantially all the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that are created or retained by the Company, is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations expire or are discharged or cancelled.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has the legal right to offset the amounts and intends either to settle them on a net basis, or to realise the assets and settle the liabilities simultaneously.

(iv) Measurement and gains and losses

Fair value through profit or loss: Financial assets which are held for trading or are designated as at fair value through profit or loss are measured at fair value. Changes in fair value are recognised in profit or loss.

Loans and receivables: On initial recognition they are measured at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method, less impairment losses. Premiums and discounts are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Where securities classified as loans and receivables become quoted in an active market, such securities will not be reclassified as available-for-sale securities. An active market is one where quoted prices are readily and regularly available from an exchange dealer, broker or other agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

3. Significant accounting policies (cont'd)

(a) Financial instruments (cont'd)

(iv) Measurement and gains and losses (cont'd)

Held-to-maturity: On initial recognition they are measured at fair value, plus any directly attributable transaction costs. Premiums and discounts are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method, less impairment losses.

Any sale or reclassification of a significant amount of held-to-maturity investments that is not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Company from classifying investment securities as held-to-maturity for the financial year in which sale or reclassification occurs and the following two financial years.

A*vailable-for-sale:* On initial recognition, they are measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value, with unrealised gains and losses arising from changes in fair value treated as follows:

- Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income.

- When securities classified as available-for-sale are sold or impaired, and therefore derecognised, the accumulated fair value adjustments accumulated in other comprehensive income are reclassified to profit or loss.

(v) Identification and measurement of impairment

At each reporting date, the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

3. Significant accounting policies (cont'd)

(a) Financial instruments (cont'd)

(v) Identification and measurement of impairment (cont'd)

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised directly in other comprehensive income to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If in a subsequent period the fair value of an impaired available-for-sale debt security 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, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(b) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents comprise short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term commitments (these investments include short-term deposits where the maturities do not exceed three months from the acquisition date). Cash and cash equivalents are measured at amortised cost.

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2015

3. Significant accounting policies (cont'd)

(c) Accounts receivable

Accounts receivable is stated at amortised cost, less impairment losses.

(d) Margin loans payable and other payables

Margin loans payable and other payables are stated at amortised cost.

(e) Revenue recognition

Revenue is income that arises in the course of the ordinary activities of the Company. Accordingly, revenue comprises interest income and income and gains from holding and trading securities.

(i) Interest income

Interest income is recognised in profit or loss for all interest-earning instruments on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently. Interest income includes coupons earned on fixed income investments, accretion of discount on discounted instruments, and amortisation of premium on instruments bought at a premium.

(ii) Gain or loss on holding and trading securities

Gain or loss on securities trading is recognised when the Company becomes a party to a contract to dispose of the securities, or, in the case of financial assets measured at fair value, upon re-measurement of those assets.

(f) Interest expense

Interest expense is recognised in profit or loss on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability to the carrying amount of the financial liability.

(g) Foreign currencies

Foreign currency balances at the reporting date are translated at the foreign exchange rates ruling at that date. Transactions in foreign currencies are converted at the foreign exchange rates ruling at the dates of the transactions. Gains and losses arising from fluctuations in exchange rates are recognised in profit or loss.

3. Significant accounting policies (cont'd)

(h) Share capital

(i) Ordinary stock units

Incremental costs directly attributable to the issue of ordinary stock units are recognised as deduction from equity.

(ii) Preference shares

The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. In the case of its preference share capital, it is classified as:

- equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary; in such a case, dividends thereon are recognised as equity distributions on approval by the Company's stockholders.

- liability if it is redeemable on a specific date or at the option of the stockholders, or if dividends are not discretionary; in such a case, dividends thereon are recognised as interest in profit or loss as accrued.

The Company's preference shares bear contractual entitlements to dividends that are cumulative, and not at the discretion of the directors. Accordingly, they are presented as a financial liability.

(i) Income tax

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

(i) Current income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted at the reporting date, and any adjustment to income tax payable in respect of previous years.

(ii) Deferred income tax

Deferred income tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2015

4. Cash and cash equivalents

	2015	2014
Cash	3,000	3,000
Demand deposit accounts	210,152	1,340,020
	$213,152	1,343,020

5. Accounts receivable

	2015	2014
Interest receivable	27,731,676	18,959,997
Other	-	3,878
	$27,731,676	18,963,875

6. Investment securities

	2015	2014
Available-for-sale		
Corporate bonds (i)	600,717,370	473,039,584
Municipal bonds (ii)	209,795,708	236,537,551
Credit linked note (iii)	37,322,179	-
Loans and receivables		
Unquoted preference shares (iv)	59,990,000	57,160,000
	$907,825,257	766,737,135

(i) Corporate bonds earn interest at rates ranging from 5.125% to 12.75% per annum and mature over the period 2016 to 2049.

(ii) Municipal bonds earn interest at rates ranging from 5.00% to 10.00% per annum and mature over the period 2023 to 2040.

(iii) Credit linked note represents investment in Credit Suisse Contingent Coupon Callable Yield notes which will mature on June 19, 2018. The fair value change in embedded derivatives of $147,575 was recognised in profit or loss account.

(iv) Unquoted preference shares represent investments in cumulative redeemable preference shares issued by Sterling Developments (SKN) Limited, a related party [note 9(c)(i)]. They earn interest at 8% interest per annum and are redeemable.

7. Margin loans payable

These are margin loans due to overseas brokers. The loans bear interest at rates ranging from 2.09% to 2.36% per annum (2014: 2.07% to 2.25%), are collateralised by securities purchased from the brokers with the loan proceeds, and have no set repayment date.

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2015

8. Other payables

	2015	2014
Manager's preference shares interest payable [note 9(c)(i)]	10,573,808	9,271,165
Other payables and accruals	3,465,792	3,236,968
	$14,039,600	12,508,133

9. Related party balances and transactions

(a) Definition of related party

A related party is a person or entity that is related to the Company.

(i) A person or a close member of that person's family is related to the Company if that person:

(1) has control or joint control over the Company;

(2) has significant influence over the Company; or

(3) is a member of the key management personnel of the Company or of a parent of the Company.

(ii) An entity is related to the Company if any of the following conditions applies:

(1) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.

(6) The entity is controlled, or jointly controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company.

A related party transaction is a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2015

9. Related party balances and transactions (cont'd)

(b) Identity of related parties

The Company has related party relationships with its directors, investment manager and other entities under the common control of its investment manager.

(c) Related party amounts

(i) The statement of financial position includes balances with related parties, arising in the ordinary course of business, as follows:

	2015 $	2014 $
Entities with common shareholders and directors		
Unquoted preference shares [note 6(iv)]	59,990,000	57,160,000
Interest receivable	13,702,045	8,482,857
Total [note 18(a)(ii)]	73,692,045	65,642,857
Investment manager		
Manager's preference shares interest payable (note 8)	(10,573,808)	(9,271,165)
Due to related company*	(13,124,190)	(10,650,889)
Directors		
Other payables	(575,904)	(548,736)

*The amount due to related party is unsecured, interest-free and is repayable within twelve (12) months from reporting date.

(ii) The statement of profit or loss and other comprehensive income includes income earned from, and expenses incurred in, transactions with related parties, in the ordinary course of business, as follows:

	2015 $	2014 $
Related entity		
Interest income on unquoted preference shares	4,687,077	4,509,527
Investment manager		
Manager's preference shares interest expense	(10,573,808)	(9,271,165)
Management fees (note 14)	(13,124,190)	(10,650,889)
Directors		
Directors' fees (note 14)	(2,247,456)	(2,133,120)

10. Manager's preference shares

(a) This represents 10,000 manager's cumulative preference shares (see note 11). The terms and conditions of these shares include the following:

(i) The block of manager's cumulative preference shares, at all times, regardless of the number of ordinary shares issued and held, enjoy voting control to the extent of 51% of such votes as may be cast by shareholders of the Company with respect to any and all decisions by such shareholders;

(ii) The manager's cumulative preference shares rank *pari passu* as between and among themselves;

(iii) The manager's cumulative preference shares are entitled to a cumulative annual preference dividend of twenty five per cent (25%) of the Company's return on equity earned in excess of the hurdle rate (computed in accordance with the formula set out in the terms and conditions of issue) applied to the United States dollar value of the Company's profit and equity. The return on equity is calculated as the profit for the year of the Company divided by the value of the Company's average equity as at the end of the financial year, expressed in United States dollars and substantiated by the audited financial statements;

(iv) Apart from the right to the cumulative annual preference dividend, the manager's cumulative preference shares have no economic rights or entitlements save for the right in a winding up to the repayment of the capital paid thereon on a *pari passu* basis with the capital paid on the ordinary shares; and

(v) In the event that an entity which is (or becomes) the investment manager subsequently ceases to be the investment manager in accordance with the relevant provisions of the Company's Articles of Association, each of the manager's cumulative preference shares held by that entity shall thereupon automatically be converted into a fully paid ordinary share in the Company.

(b) The dividend payment is recorded as manager's preference shares interest expense in the statement of profit or loss and other comprehensive income.

11. Share capital

	Number of units	
	2015	2014
(i) Authorised:		
Ordinary stock units of no par value	150,000,000	25,000,000
Manager's cumulative preference shares of no par value	10,000	10,000
	150,010,000	25,010,000

On February 21, 2015, the Board of Directors approved the increase in authorised share capital of the Company from 25,010,000 shares to 150,010,000 shares by the creation of an additional 125,000,000 ordinary stock units of no par value.

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2015

11. Share capital (cont'd)

(ii) Issued and fully paid:

	Number of units		Total	
	2015	2014	2015	2014
Ordinary stock units				
Balance at beginning of year	4,014,547	3,628,599	437,296,904	387,469,691
Issued during the year	51,861,734	385,948	195,062,057	49,827,213
Less transaction costs	-	-	(4,562,860)	-
Net proceeds from issuance	51,861,734	385,948	190,499,197	49,827,213
Balance at end of year	55,876,281	4,014,547	627,796,101	437,296,904
Manager's cumulative preference shares	10,000	10,000	10,000	10,000
	55,886,281	4,024,547	627,806,101	437,306,904
Less: Manager's preference shares reclassified to liability (note 10)	10,000	10,000	10,000	10,000
	55,876,281	4,014,547	$627,796,101	437,296,904

During the year, 51,861,734 ordinary stock units were issued for a net consideration of $190,499,197.

12. Fair value reserve

This represents the unrealised gains, net of losses, on the restatement of available-for-sale investment securities at fair value.

13. Revenue

This represents income earned from holding and trading investment securities.

14. Operating expenses

The following are among the items included in operating expenses:

	2015	2014
Management fees [note 9(c)(ii)]	13,124,190	10,650,889
Auditors' remuneration - current year	2,637,104	2,440,732
- prior year	-	390,295
Directors' fees [note 9(c)(ii)]	2,247,456	2,133,120
Travel	1,077,926	1,218,638
Stock exchange listing	656,606	5,737,213
Professional fees	397,650	369,801
Other	1,578,974	1,600,933
	$21,719,906	24,541,621

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2015

15. Taxation

The Company elected to be charged at the rate of 1% (2014: 1%) as allowed under the International Business Companies Act. However, the effective tax rate is 0.83% (2014: 0.53%).

	2015	2014
Profit before taxation	$71,764,807	58,945,788
Computed "expected" tax charge at 1% (2014: 1%)	717,648	589,458
Tax effect of differences between profit for financial statements and tax reporting purposes:		
Unrealised foreign exchange gains	(340,739)	(367,081)
Unrealised loss on embedded derivative	1,476	-
Impairment loss on available-for-sale securities	96,510	-
Manager's preference share interest expense	105,738	92,712
Under-provision in respective of prior year	16,167	-
Current tax charge, being total taxation charge	$ 596,800	315,089

16. Earnings per stock unit

(a) Basic earnings per stock unit

Basic earnings per stock unit is calculated by dividing the profit attributable to stockholders by the weighted average number of ordinary stock units in issue during the year.

	2015	2014
Profit attributable to ordinary stockholders	$71,168,007	58,630,699
Weighted average number of ordinary stock units in issue	46,640,630	3,885,898
Basic earnings per stock unit	$ 1.53	15.09

(b) Diluted earnings per stock unit

Diluted earnings per stock unit is calculated by dividing the profit attributable to ordinary stockholders by the weighted average number of ordinary stock units outstanding after adjustment for the effects of all dilutive potential ordinary stock units.

	2015	2014
Profit attributable to ordinary stockholders	71,168,007	58,630,699
Interest expense of convertible preference shares	10,573,808	9,271,165
	$81,741,815	67,901,864
Weighted average number of ordinary stock units in issue	46,640,630	3,885,898
Effect of conversion of convertible preference shares	10,000	10,000
	46,650,630	3,895,898
Diluted earnings per stock unit	$ 1.75	17.43

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2015

17. Dividends

	2015	2014
Distribution to ordinary stockholders at $0.3373 (2014: $2.3667) per stock unit	$17,521,150	9,500,843

18. Financial risk management

The Company has exposure to credit, liquidity and market risks from its use of financial instruments. The Company's affairs are administered by the Investment Manager, a related company, which, together with the Board of Directors, has overall responsibility for the establishment and oversight of the Company's risk management framework. The risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered.

(a) Credit risk

Credit risk is the risk of financial loss to the Company that one party to a financial instrument will fail to discharge its contractual obligations, and arises principally from the Company's investment securities. The Board of Directors is responsible for oversight of the Company's credit risk, including formulating policies, establishing the authorisation structure for the approval of credit facilities, reviewing and assessing credit risk, and limiting concentration of exposure to counterparties. Additionally, the Investment Manager reports to the Board of Directors on a regular basis about credit quality, and the appropriate action is taken.

(i) The Company manages the exposure to credit risk in the following way:

It maintains cash and cash equivalents with major financial institutions which management regards as strong. These financial institutions are continually reviewed by the Investment Manager. Investments are held substantially in United States of America Government Agency and corporate securities.

Total credit exposure is the total of receivables and investment securities on the statement of financial position as there are no credit exposures not recognised in the statement of financial position.

(ii) Concentration of credit risk

The Company monitors concentration of credit risk by issuer and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

	2015	2014
Issuer:		
Corporate – unrelated parties	648,529,130	479,756,588
Corporate – related party [note 9(c)(i)]	73,692,045	65,642,857
Municipals	213,335,758	240,297,687
Banks	213,152	1,343,020
Other	-	3,878
Total financial assets	$935,770,085	787,044,030

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2015

18. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(ii) Concentration of credit risk (cont'd)

	2015	2014
Location:		
Europe	359,348,944	383,074,993
North America	352,639,276	272,061,678
Caribbean	108,625,620	66,989,755
South America	87,306,513	64,917,604
Other	27,849,732	-
Total financial assets	$935,770,085	787,044,030

(iii) Credit quality

Credit quality is measured primarily by the extent of breaches of contractual terms of debt securities.

- Impaired securities

  Impaired securities are securities for which the Company determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the securities.

- Past due but not impaired securities

  These are securities where contractual interest or principal payments are past due but the Company believes that impairment is not appropriate on the basis of the level of security or collateral available or the stage of collection of amounts owed to the Company.

- Write-off policy

  The Company writes off loan or security balances (and any related allowances for impairment losses) when the Company determines that the loans or securities are uncollectible. This determination is usually made after considering information such as changes in the borrower's financial position, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

(iv) Settlement risk

The Company's activities may give rise to settlement risk at the time of settlement of trades and other transactions. Settlement risk is the risk of loss due to the failure of a party to honour its obligation to deliver cash, securities or other assets as contractually agreed.

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2015

18. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(iv) Settlement risk (cont'd)

For certain types of transactions, the Company mitigates this risk by conducting settlements through its broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

There has been no change in the Company's exposure to credit risk or the manner in which it measures and manages risk.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and ensuring the availability of funding through an adequate amount of committed facilities.

Management of liquidity risk

Due to the dynamic nature of the underlying business, the Company manages this risk by monitoring its cash needs and obtaining liquidity support from custodian brokers and related companies. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and abnormal conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The daily liquidity position is monitored and regular liquidity testing is conducted under a variety of scenarios covering both normal and more severe market conditions. The Company maintains the daily balances from the bank and broker accounts in order to ensure that sufficient funds are available to meet the liability demands.

The following table presents the undiscounted cash flows payable (both interest and principal cash flows) based on contractual repayment obligations:

	2015				
	Within 3 months	3 to 12 months	No specific maturity	Gross outflow	Carrying value
Margin loans payable	214,740,257	-	-	214,740,257	214,341,641
Other payables	14,039,600	-	-	14,039,600	14,039,600
Due to related company		13,124,190	-	13,124,190	13,124,190
Manager's preference shares	-	-	10,000	10,000	10,000
	$228,779,857	13,124,190	10,000	241,914,047	241,515,431

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2015

18. Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

	2014				
	Within 3 months	3 to 12 months	No specific maturity	Gross outflow	Carrying value
Margin loans payable	225,127,196	-	-	225,127,196	223,886,387
Other payables	12,508,133	-	-	12,508,133	12,508,133
Due to related company	-	10,650,889	-	10,650,889	10,650,889
Manager's preference shares	-	-	10,000	10,000	10,000
	$237,635,329	10,650,889	10,000	248,296,218	247,055,409

There has been no change in the Company's exposure to liquidity risk or the manner in which it measures and manages risk.

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the returns for the given level of risk accepted.

The market risks relevant to the Company and the manner in which it measures and manages them are as follows:

(i) Interest rate risk

The following table summarises the carrying amounts of financial assets and financial liabilities to arrive at the Company's interest rate sensitivity gap, based on the earlier of contractual repricing and maturity dates:

	2015				
	Within 3 months	Over 12 months	No specific maturity	Non-rate sensitive	Total
Financial assets					
Cash and cash equivalents	213,152	-	-	-	213,152
Accounts receivable	-	-	-	27,731,676	27,731,676
Investment securities	-	907,825,257	-	-	907,825,257
	213,152	907,825,257	-	27,731,676	935,770,085
Financial liabilities					
Margin loans payable	214,341,641	-	-	-	214,341,641
Other payables	-	-	-	14,039,600	14,039,600
Due to related company	-	-	-	13,124,190	13,124,190
Manager's preference shares	-	-	10,000	-	10,000
	214,341,641	-	10,000	27,163,790	241,515,431
Total interest rate sensitivity gap	$(214,128,489)	907,825,257	(10,000)	567,886	694,254,654
Cumulative gap	$(214,128,489)	693,696,768	693,686,768	694,254,654	

18. Financial risk management (cont'd)

(c) Market risk (cont'd)

(i) Interest rate risk (cont'd)

	2014				
	Within 3 months	Over 12 months	No specific maturity	Non-rate sensitive	Total
Financial assets					
Cash and cash equivalents	1,343,020	-	-	-	1,343,020
Accounts receivable	-	-	-	18,963,875	18,963,875
Investment securities	-	766,737,135	-	-	766,737,135
Total assets	1,343,020	766,737,135	-	18,963,875	787,044,030
Financial liabilities					
Margin loans payable	223,886,387	-	-	-	223,886,387
Other payables	-	-	-	12,508,133	12,508,133
Due to related company	-	-	-	10,650,889	10,650,889
Manager's preference shares	-	-	10,000	-	10,000
	223,886,387	-	10,000	23,159,022	247,055,409
Total interest rate sensitivity gap	$(222,543,367)	766,737,135	(10,000)	(4,195,147)	539,988,621
Cumulative gap	$(222,543,367)	544,193,768	544,183,768	539,988,621	

Profile

At year-end, the interest rate profile of the Company's interest-earning financial instruments, which are contracted at fixed interest rates was as follows:

	2015	2014
Financial assets		
Corporate bonds	600,717,370	473,039,584
Municipal bonds	209,795,708	236,537,551
Credit linked note	37,322,179	-
Unquoted preference shares	59,990,000	57,160,000
	907,825,257	766,737,135
Financial liability		
Margin loans payable	214,341,641	223,886,387
	$693,483,616	542,850,748

Fair value sensitivity analysis for fixed-rate instruments

The following table indicates the sensitivity to interest rate movements at the reporting date, in terms of the effect on the Company's profit and stockholders' equity of a reasonably probable change in interest rates at the reporting date. The analysis assumes that all other variables, in particular, foreign currency rates, remain constant.

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2015

18. Financial risk management (cont'd)

(c) Market risk (cont'd)

(i) Interest rate risk (cont'd)

Fair value sensitivity analysis for fixed-rate instruments (cont'd)

	2015		2014	
	Effect on profit	Effect on equity	Effect on profit	Effect on equity
	$	$	$	$
Change in basis points:				
-50bps	1,071,708	34,214,803	1,119,432	34,704,169
+50bps	(1,071,708)	(31,728,322)	(1,119,432)	(31,991,798)

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign currency risk on transactions that it undertakes, or balances denominated, in foreign currencies. The main foreign currencies giving rise to this risk is the United States dollar (US$). The Company ensures that the risk is kept to an acceptable level by monitoring its foreign currency exposure and, when necessary, adjusting its foreign currency positions in response to fluctuations in exchange rates.

At the reporting date, exposure to foreign currency risk was as follows:

	2015	2014
Assets:		
Cash and cash equivalents	1,674	5,290
Accounts receivable	231,136	165,850
Investment securities	7,566,472	6,706,938
	7,799,282	6,878,078
Liabilities:		
Margin loans payable	1,786,478	1,958,418
Other payables	28,814	26,150
	1,815,292	1,984,568
Net foreign currency assets	US$5,983,990	4,893,510

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2015

18. Financial risk management (cont'd)

(c) Market risk (cont'd)

(ii) Foreign currency risk (cont'd)

Sensitivity to foreign exchange rate movements

This sensitivity is computed by simulating the effect on profit and equity of a different but reasonably probable rate at the reporting date.

A weakening or strengthening of the Jamaica dollar against the United States dollar at the reporting date would, respectively, increase or decrease profit by the amounts shown in the table below. The analysis assumes that all other variables, in particular, interest rates, remain constant.

	2015		
	% Change in Currency rate	Effect on profit $'000	Effect on equity $'000
Currency:			
USD	1% Revaluation	(7,179)	(7,179)
USD	15% Devaluation	107,693	107,693

	2014		
	% Change in Currency rate	Effect on profit $'000	Effect on equity $'000
Currency:			
USD	1% Revaluation	(5,594)	(5,594)
USD	15% Devaluation	83,914	83,914

There has been no change in the Company's exposure to market risk or the manner in which it measures and manages risk.

19. Fair value of financial instruments

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 reporting date.

The Company's accounting policies and disclosures require the measurement of fair values for financial assets and liabilities.

The techniques used to estimate fair values, together with the input used, are described below. The use of assumptions and estimates means that the estimates arrived at may vary significantly different from the actual price of the instrument in an arm's length transaction.

19. Fair value of financial instruments (cont'd)

Basis of valuation

	Financial instrument	Method of estimating fair value
(i)	Cash and cash equivalents, accounts receivable, other payables and due to related company	Considered to approximate their carrying values due to their short-term mature.
(ii)	Municipal and corporate bonds	Estimated using bid-prices published by major overseas brokers/dealers.
(iii)	Credit linked note	• Obtain price based on the quoted price of the underlying credit default swap which is derived from Bloomberg on the valuation date, plus the valuation of the underlying note. • Apply price to estimate fair value.
(iv)	Unquoted preference shares	Estimated on the basis of the price of a new issue of identical shares (at par) close to reporting date.

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (continued)
Year ended December 31, 2015

19. Fair value of financial instruments (cont'd)

The fair values of financial assets and financial liabilities, together with the carrying amounts and their classifications shown in the statement of financial position, are as follows:

	2015							
	Carrying amount				**Fair value**			
	Loan and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	$	$	$	$	$	$	$	$
Financial assets measured at fair value								
Corporate bonds	-	600,717,370	-	600,717,370	-	600,717,370	-	600,717,370
Municipal bonds	-	209,795,708	-	209,795,708	-	209,795,708	-	209,795,708
Credit linked note	-	37,322,179	-	37,322,179	-	37,322,179	-	37,322,179
	-	847,835,257	-	847,835,257	-	847,835,257	-	847,835,257
Financial assets not measured at fair value								
Cash and cash equivalents	213,152	-	-	213,152				
Accounts receivable	27,731,676	-	-	27,731,676				
Unquoted preference shares	59,990,000	-	-	59,990,000	-	59,990,000	-	59,990,000
	87,934,828	-	-	87,934,828				
Financial liabilities not measured at fair value								
Margin loans payable	-	-	214,342,641	214,342,641				
Other payables	-	-	14,039,600	14,039,600				
Due to related company	-	-	13,124,190	13,124,190				
Manager's preference shares	-	-	10,000	10,000				
	-	-	241,516,431	241,516,431				

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (continued)
Year ended December 31, 2015

19. Fair value of financial instruments (cont'd)

	2014							
	Carrying amount				**Fair value**			
	Loan and receivables $	Available for sale $	Other financial liabilities $	Total $	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets measured at fair value								
Corporate bonds	-	473,039,584	-	473,039,584	-	473,039,584	-	473,039,584
Municipal bonds	-	236,538,551	-	236,538,551	-	236,538,551	-	236,538,551
	-	709,578,135	-	709,578,135	-	709,578,135	-	709,578,135
Financial assets not measured at fair value								
Cash and cash equivalents	1,343,020	-	-	1,343,020				
Accounts receivable	18,963,875	-	-	18,963,875				
Unquoted preference shares	57,160,000	-	-	57,160,000	-	57,160,000	-	57,160,000
	77,466,895	-	-	77,466,895				
Financial liabilities not measured at fair value								
Margin loans payable	-	-	223,886,387	223,886,387				
Other payables	-	-	12,508,133	12,508,133				
Due to related company	-	-	10,650,889	10,650,889				
Manager's preference shares	-	-	10,000	10,000				
	-	-	247,055,409	247,055,409				

The Company has not disclosed the fair values of financial instruments such as cash and cash equivalents, accounts receivable, margin loans payable, other payables, due to related company and manager's preference shares, because their carrying amounts are a reasonable approximation of fair values.

No items were transferred from one level to another.