STERLING INVESTMENTS LIMITED

Financial Statements

December 31, 2014

STERLING INVESTMENTS LIMITED

Table of Contents

Table of Contents	Page
Independent Auditors' Report	1 - 2
Statement of Financial Position	3
Statement of Comprehensive Income	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 33

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 33, which comprise the statement of financial position as at December 31, 2014, 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, 2014, 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 21, 2015

Castries, Saint Lucia

STERLING INVESTMENTS LIMITED

Statement of Financial Position
December 31, 2014

	Notes	2014	2013
ASSETS			
Cash and cash equivalents	4	1,343,020	3,465,648
Accounts receivable	5	18,963,875	9,711,165
Investment securities	6	766,737,135	478,531,699
TOTAL ASSETS		$787,044,030	491,708,512
LIABILITIES			
Margin loans payable	7	223,886,387	31,551,950
Other payables	8	12,508,133	11,787,673
Due to related company	9	10,650,889	7,799,970
Manager's preference shares	10	10,000	10,000
Income tax payable		495,510	180,421
		247,550,919	51,330,014
EQUITY			
Share capital	11	437,296,904	387,469,691
Fair value reserve	12	10,976,493	10,818,949
Retained earnings		91,219,714	42,089,858
		539,493,111	440,378,498
TOTAL LIABILITIES AND EQUITY		$787,044,030	491,708,512

The financial statements on pages 3 to 33 were approved for issue by the Board of Directors on February 21, 2015 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, 2014
(With comparatives for the sixteen-month period ended December 31, 2013)

	Notes	2014	2013
Revenue:			
Interest income	13	55,016,387	29,116,138
Foreign exchange gains		36,708,090	36,779,330
Gain on disposal of available-for-sale securities		4,979,908	3,915,580
		96,704,385	69,811,048
Expenses:			
Interest		(3,953,304)	(2,112,119)
Other operating	14	(24,541,621)	(11,365,062)
		(28,494,925)	(13,477,181)
Operating profit		68,209,460	56,333,867
Other income		7,493	104,299
Manager's preference share interest expense		(9,271,165)	(10,362,673)
Profit before taxation		58,945,788	46,075,493
Taxation	15	(315,089)	(180,421)
Profit for the year/period		58,630,699	45,895,072
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Realized gain on disposal of available-for-sale securities reclassified to profit for the year		(2,765,914)	-
Unrealised change in fair value of available-for-sale securities		2,923,458	10,818,949
		157,544	10,818,949
Total comprehensive income for the year/period		$58,788,243	56,714,021
Basic earnings per stock unit	16	$ 15.09	12.65
Diluted earnings per share	16	$ 17.43	15.46

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

STERLING INVESTMENTS LIMITED

Statement of Changes in Equity
Year ended December 31, 2014
(With comparatives for the sixteen-month period ended December 31, 2013)

	Share capital (note 11)	Fair value (note 12)	Retained earnings	Total
Comprehensive income:				
Profit for the period	-	-	45,895,072	45,895,072
Other comprehensive income:				
Item that may be reclassified to profit or loss				
Unrealised change in fair value of available-for-sale securities	-	10,818,949	-	10,818,949
Total comprehensive income	-	10,818,949	45,895,072	56,714,021
Transactions with owners:				
Shares issued during the period	387,469,691	-	-	387,469,691
Dividends (note 17)	-	-	(3,805,214)	(3,805,214)
	387,469,691	-	(3,805,214)	383,664,477
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:				
Item that may be reclassified to profit or loss				
Realized gain on disposal of available-for-sale securities reclassified to profit for the year	-	(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

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

STERLING INVESTMENTS LIMITED

Statement of Cash Flows
Year ended December 31, 2014
(With comparatives for the sixteen-month period ended December 31, 2013)

	2014	2013
Cash flows from operating activities		
Profit for the year/period	58,630,699	45,895,072
Adjustments for:		
Interest income	(55,016,387)	(29,116,138)
Interest expense	3,953,304	2,112,119
Taxation	315,089	180,421
Manager's preference share interest expense	9,271,165	10,362,673
	17,153,870	29,434,147
Changes in:		
Accounts receivable	(2,008)	(1,870)
Margin loans payable	192,334,437	31,551,950
Other payables	1,811,968	1,425,000
Due to related company	2,850,919	7,799,970
	214,149,186	70,209,197
Interest received	45,765,685	19,406,843
Interest paid	(3,953,304)	(2,112,119)
Net cash provided by operating activities	255,961,567	87,503,921
Cash flows from investing activity		
Investment securities, being net cash used by investing activity	(288,047,892)	(467,712,750)
Cash flows from financing activities		
Issue of preference shares	-	10,000
Issue of ordinary shares	49,827,213	387,469,691
Manager's preference shares interest paid	(10,362,673)	-
Dividends paid	(9,500,843)	(3,805,214)
Net cash provided by financing activities	29,163,697	383,674,477
(Decrease)/increase in cash and cash equivalents	(2,122,628)	3,465,648
Cash and cash equivalents at beginning of year/period	3,465,648	-
Cash and cash equivalents at end of year/period	$ 1,343,020	3,465,648

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

1. Identification

Sterling Investments Limited ("the Company") was incorporated on August 21, 2012 in St. 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, St. 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(d)].

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:

- IFRS 15, *Revenue from Contracts with Customers*, is effective for annual reporting periods beginning on or after January 1, 2017. 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*.

  The new standard applies to contracts with customers. However, 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. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS takes precedence.

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

(a) Statement of compliance (cont'd)

- 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 recognized. The Group is assessing the impact that the standard will have on its 2018 financial statements.

- *Improvements to IFRS, 2010-2012 and 2011-2013* cycles, contain amendments to certain standards and interpretations and are effective for annual reporting periods beginning on or after July 1, 2014. The main amendments applicable to the Company are as follows:

  - IFRS 13, *Fair Value Measurement*, has been amended to clarify that issuing of the standard and consequential amendments to IAS 39 and IFRS 9 did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.

  - *IAS 24, Related Party Disclosures*, has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the key management personnel services.

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

(a) Statement of compliance (cont'd)

- *Improvements to IFRS, 2012-2014* cycle, contain amendments to certain standards and interpretations and are effective for annual reporting 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 derecognized 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 "Amendments to IFRS 7, *Disclosures: Offsetting Financial Assets and Financial Liabilities,"* 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.

  - 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 the new standards and amendments will, when they become effective, have on its financial statements.

(b) Functional and presentation currency

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

(c) 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 period then ended. Actual amounts could differ from those estimates.

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

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

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:

(i) Judgements

For the purpose of these financial statements, 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(a)] 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 –ie, 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. Statement of compliance and basis of preparation (cont'd)

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

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

(2) Fair value of financial instruments

The Company's accounting policies and disclosures require the measurement of fair values for financial assets and liabilities. When measuring the fair value of an asset or liability, the Company uses observable data, such as prices quoted in an active market, as far as possible. In the absence of quoted market prices, other inputs, including judgements about the market and assumptions about the future, are used to estimate for value. The greater the number and/or significance of inputs that are unobservable, the greater the fair value estimation uncertainty. Fair values are categorized into different levels in a three-level fair value hierarchy based on the degree to which the inputs used in the valuation techniques include unobservable data, as follows:

The techniques used to estimate fair values, together with the inputs used, are described in note 19.

The estimation uncertainty because of the use of estimates, based on assumptions, means that 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 – Classification, recognition and de-recognition, and measurement

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 payable, due to related company and preference shares.

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. Management determines the appropriate classification of investments at the time of purchase, taking account of the purpose for which the investments were purchased.

3. Significant accounting policies (cont'd)

(a) Financial instruments – Classification, recognition and de-recognition, and measurement (cont'd)

(i) Classification of financial instruments (cont'd)

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. The Company's financial instruments included in this classification are resale agreements, local and foreign currency denominated securities which do not have a quoted market price in an active market and whose fair values cannot be reliably determined, and interest-bearing deposits

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. The Company's financial instruments included in this classification are the Government of Jamaica-issued fixed rate accreting notes.

Fair value through profit or loss: Securities that are held for trading (ie, 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.

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's financial instruments included in this classification are securities with quoted prices in an active market or for which the fair values are otherwise determinable, interest in funds managed by agents.

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

(ii) Recognition and derecognition - Non-derivative financial assets and financial liabilities

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 is created or retained by the Company is recognised as a separate asset or liability.

3. Significant accounting policies (cont'd)

(a) Financial instruments – Classification, recognition and de-recognition, and measurement (cont'd)

(ii) Recognition and derecognition - Non-derivative financial assets and financial liabilities

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.

(iii) Measurement and gains and losses - Non-derivative financial assets

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.

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.

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.

3. Significant accounting policies (cont'd)

(a) Financial instruments – Classification, recognition and de-recognition, and measurement (cont'd)

(iii) Measurement and gains and losses- Non-derivative financial assets (continued)

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.

(iv) Specific financial instruments

(1) 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 cost.

(2) Accounts receivable

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

(3) Margin loans payable and other payables

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

3. Significant accounting policies (cont'd)

(b) 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 treasury bills and other discounted instruments, and amortisation of premium on instruments bought at a premium.

IFRS requires that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

(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.

(c) 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.

(d) 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)

(e) Share capital

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:

(i) 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 distributions within equity;

(ii) 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.

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.

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(f) Identification and measurement of impairment

(i) Impairment of financial assets

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.

Objective evidence that financial assets (including equity securities) 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.

3. Significant accounting policies (cont'd)

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

(i) Impairment of financial assets (cont'd)

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.

(ii) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each financial year end to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent of other assets and groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (continued)
Year ended December 31, 2014
(With comparatives as at, and for the sixteen-month period ended, December 31, 2013)

4. Cash and cash equivalents

	2014	2013
Cash	3,000	-
Demand deposit accounts	1,340,020	3,465,648
	$1,343,020	3,465,648

5. Accounts receivable

	2014	2013
Interest receivable	18,959,997	9,709,295
Other	3,878	1,870
	$18,963,875	9,711,165

6. Investment securities

	2014	2013
Available-for-sale		
Corporate bonds (i)	473,039,584	330,333,099
Municipal bonds (ii)	236,537,551	95,198,600
Loans and receivables		
Unquoted preference shares (iii)	57,160,000	53,000,000
	$766,737,135	478,531,699

(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) Unquoted preference shares represent investments in cumulative redeemable preference shares issued by a related party. 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 2.07% to 2.25% per annum, are collateralised by securities purchased from the brokers with the loan proceeds, and have no set repayment date.

8. Other payables

	2014	2013
Manager's preference shares interest payable [note 9(c)(i)]	9,271,165	10,362,673
Other payables and accruals	3,236,968	1,200,000
Commission payable	-	225,000
	$12,508,133	11,787,673

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 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).

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.

(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.

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (continued)
Year ended December 31, 2014
(With comparatives as at, and for the sixteen-month period ended, December 31, 2013)

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

(c) Related party amounts

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

	2014 $	2013 $
Related company		
Unquoted preference shares	57,160,000	53,000,000
Interest receivable	8,482,857	3,625,490
Total [note 18(a)(ii)]	65,642,857	56,625,490
Investment manager		
Manager's preference shares interest payable (note 8)	(9,271,165)	(10,362,673)
Due to related company	(10,650,889)	(7,799,970)
Directors		
Other payables	(548,736)	-

(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:

	2014 $	2013 $
Related company		
Interest on unquoted preference shares	4,509,527	3,483,425
Investment manager		
Manager's preference shares interest expense	(9,271,165)	(10,362,673)
Management fees (note 14)	(10,650,889)	(6,851,955)
Directors		
Directors fees (note 14)	(2,133,120)	(506,880)

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;

10. Manager's preference shares (cont'd)

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

(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 net profit 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

	2014	2013
(i) Authorised:		
25,000,000 ordinary shares of no par value		
10,000 manager's cumulative preference shares of no par value		
(ii) Issued and fully paid:		
4,014,547 (2013: 3,628,599) ordinary shares	437,296,904	387,469,691
10,000 manager's cumulative preference shares	10,000	10,000
	437,306,904	387,479,691
Less: Manager's preference shares reclassified to liability (note 10)	10,000	10,000
	$437,296,904	387,469,691

12. Fair value reserve

This represents the unrealised gains, net of losses, on the revaluation of available-for-sale investment securities.

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (continued)
Year ended December 31, 2014
(With comparatives as at, and for the sixteen-month period ended, December 31, 2013)

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:

	2014	2013
Management fees [note 9(c)(ii)]	10,650,889	6,851,955
Stock exchange listing	5,737,213	-
Auditors' remuneration - current year	2,440,732	1,200,000
- prior year	390,295	-
Other	2,819,571	1,495,528
Directors fees [note 9(c)(ii)]	2,133,120	506,880
Professional fees	369,801	1,310,699
	$24,541,621	11,365,062

15. Taxation

(a) The charge for income tax is computed at 1% of profit for the year/period as adjusted for tax purposes, and is made up as follows:

	2014	2013
Profit before taxation	$58,945,788	46,075,493
Computed "expected" tax charge at 1% (2013: 1%)	589,458	460,755
Tax effect of differences between profit for financial statements and tax reporting purposes:		
Unrealized foreign exchange gains	(367,081)	(383,961)
Manager's preference share interest expense	92,712	103,627
Current tax charge, being total taxation charge	$ 315,089	180,421

16. Earnings per share

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to stockholders by the weighted-average number of ordinary stock units in issue during the year.

	2014	2013
Net profit attributable to ordinary shareholders	$58,630,699	45,895,072
Weighted average number of ordinary stock units in issue	3,885,898	3,628,599
Basic earnings per stock unit	$ 15.09	12.65

16. Earnings per share (cont'd)

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary shareholders by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

	2014	2013
Net profit attributable to ordinary shareholders	58,630,699	45,895,072
Interest expense of convertible preference shares	9,271,165	10,362,673
	$67,901,864	56,257,745
Weighted average number of ordinary shares	3,885,898	3,628,599
Effect of conversion of convertible preference shares	10,000	10,000
	3,895,898	3,638,599
Diluted earnings per share	$ 17.43	15.46

17. Dividends

	2014	2013
Distribution to ordinary shareholders at $2.3667 (2013: $0.1522) per share	$9,500,843	3,805,214

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.

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (continued)
Year ended December 31, 2014
(With comparatives as at, and for the sixteen-month period ended, December 31, 2013)

18. Financial risk management (cont'd)

(a) Credit risk (cont'd)

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

It maintains cash and cash-equivalents and resale agreements 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.

Collateral is not held for balances with banks or broker/dealers.

Total credit exposure is the total of receivables and debt 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:

	2014	2013
Issuer:		
Corporate – unrelated parties	479,756,588	335,245,888
Corporate – related party [note 9(c)(i)]	65,642,857	56,625,490
Municipals	240,297,687	96,369,616
Banks	1,343,020	3,465,648
Other	3,878	1,870
Total financial assets	$787,044,030	491,708,512

	2014	2013
Location:		
Europe	383,074,993	254,091,018
North America	272,061,678	162,571,298
Caribbean	66,989,755	75,046,196
South America	64,917,604	-
Total financial assets	$787,044,030	491,708,512

18. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(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.

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.

(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.

18. Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

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:

	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
Due to related company	-	10,650,889		10,650,889	10,650,889
Other payables	12,508,133	-	-	12,508,133	12,508,133
Manager's preference shares	-	-	10,000	10,000	10,000
	$237,635,329	10,650,889	10,000	248,296,218	247,055,409

	2013				
	Within 3 months	3 to 12 months	No specific maturity	Gross outflow	Carrying value
Margin loans payable	32,932,111	-	-	32,932,111	31,551,950
Due to related companies	-	6,851,955	948,015	7,799,970	7,799,970
Other payables	11,787,673	-	-	11,787,673	11,787,673
Manager's preference shares	-	-	10,000	10,000	10,000
	$44,719,784	6,851,955	958,015	52,529,754	51,149,593

(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:

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (continued)
Year ended December 31, 2014
(With comparatives as at, and for the sixteen-month period ended, December 31, 2013)

18. Financial risk management (cont'd)

(c) Market risk (cont'd)

(i) Interest rate risk

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

	2014			
	Within 3 months	Over 12 months	Non-rate sensitive	Total
Cash and cash equivalents	-	-	1,343,020	1,343,020
Investment securities	-	766,737,135	-	766,737,135
Accounts receivable	-	-	18,963,875	18,963,875
Total assets	-	766,737,135	20,306,895	787,044,030
Margin loans payable	223,886,387	-	-	223,886,387
Due to related company	-	-	10,650,889	10,650,889
Other payables	-	-	12,508,133	12,508,133
Manager's preference shares	-	-	10,000	10,000
Income tax payable	-	-	495,510	495,510
Equity	-	-	539,493,111	539,493,111
Total liabilities and equity	223,886,387	-	563,157,643	787,044,030
Total interest rate sensitivity gap	$(223,886,387)	766,737,135	(542,850,748)	-
Cumulative gap	$(223,886,387)	(542,850,748)	-	-

	2013			
	Within 3 months	Over 12 months	Non-rate sensitive	Total
Cash and cash equivalents	-	-	3,465,648	3,465,648
Investment securities	-	478,531,699	-	478,531,699
Accounts receivable	-	-	9,711,165	9,711,165
Total assets	-	478,531,699	13,176,813	491,708,512
Margin loans payable	31,551,950	-	-	31,551,950
Due to related company	-	-	7,799,970	7,799,970
Other payables	-	-	11,787,673	11,787,673
Manager's preference shares	-	-	10,000	10,000
Income tax payable	-	-	180,421	180,421
Equity	-	-	440,378,498	440,378,498
Total liabilities and equity	31,551,950	-	460,156,562	491,708,512
Total interest rate sensitivity gap	$(31,551,950)	478,531,699	(446,979,749)	-
Cumulative gap	$(31,551,950)	446,979,749	-	-

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (continued)
Year ended December 31, 2014
(With comparatives as at, and for the sixteen-month period ended, December 31, 2013)

18. Financial risk management (cont'd)

(c) Market risk (cont'd)

(i) Interest rate risk (cont'd)

Sensitivity to interest rate movements

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 shareholders' 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.

	2014		2013	
	Effect on profit $	Effect on equity $	Effect on profit $	Effect on equity $
Change in basis points:				
-50bps	1,119,432	34,704,169	157,760	19,642,132
+50bps	(1,119,432)	(31,991,798)	(157,760)	(18,139,180)

(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:

	2014	2013
Assets:		
Cash and cash equivalents	5,290	27,694
Accounts receivable	165,850	91,614
Investment securities	6,706,938	4,514,450
	6,878,078	4,633,758
Liabilities:		
Margin loans payable	1,958,418	297,660
Other payables	26,150	11,321
	1,984,568	308,981
Net foreign currency assets	US$4,893,510	4,324,777

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (continued)
Year ended December 31, 2014
(With comparatives as at, and for the sixteen-month period ended, December 31, 2013)

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.

	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

	2013		
	% Change in Currency rate	Effect on profit $'000	Effect on equity $'000
Currency:			
USD	1% Revaluation	(4,584)	(4,584)
USD	15% Devaluation	68,764	68,764

19. Fair value of financial instruments

(a) Fair value definition and fair value hierarchy

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

When measuring fair value of an asset or liability, the Company uses observable data, such as quoted market prices, as far as possible. In the absence of quoted market prices, other inputs, including judgements about the market and assumptions about the future, are used to estimate fair value. Fair values are categorized into different levels in a three-level fair value hierarchy based on the degree to which inputs used in the valuation techniques are observable, as follows:

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

(a) Fair value definition and fair value hierarchy (cont'd)

Level 1

Included in the Level 1 category are financial 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

Included in the Level 2 category are financial 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 financial assets with fair values based on broker quotes, investments in funds with fair values obtained via fund managers, and assets that are valued using a model whereby the majority of assumptions are market observable.

Level 3

Included in the Level 3 category are financial 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.

There is estimation uncertainty because the use of estimates, based on assumptions, means that the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

The techniques used to estimate fair values, together with the inputs used, are described at note 19(b)(ii).

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

(b) Accounting classifications and fair values

(i) 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:

	2014							
	Carrying amount				**Fair value**			
	Loan and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured at fair value:								
Corporate bonds	-	473,040	-	473,040	-	473,040	-	473,040
Municipal bonds	-	236,538	-	236,538	-	236,538	-	236,538
	-	709,578	-	709,578	-	709,578	-	709,578
Financial assets not measured at fair value:								
Cash and cash equivalents	1,343	-	-	1,343				
Accounts receivable	18,964	-	-	18,964				
Unquoted preference shares	57,160	-	-	57,160	-	57,160	-	57,160
	77,467	-	-	77,467				
Financial liabilities not measured at fair value:								
Margin loans payable	-	-	223,886	223,886				
Other payables	-	-	12,508	12,508				
Due to related company	-	-	10,651	10,651				
Manager's preference shares	-	-	10	10				
	-	-	247,055	247,055				

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

(b) Accounting classifications and fair values (cont'd)

	2013							
	Carrying amount				**Fair value**			
	Loan and receivables $'000	Available for sale $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value:								
Corporate bonds	-	330,333	-	330,333	-	330,333	-	330,333
Municipal bonds	-	95,199	-	95,199	-	95,199	-	95,199
	-	425,532	-	425,532	-	425,532	-	425,532
Financial assets not measured at fair value:								
Cash and cash equivalents	3,466	-	-	3,466				
Accounts receivable	9,711	-	-	9,711				
Unquoted preference shares	53,000	-	-	53,000	-	53,000	-	53,000
	66,177	-	-	66,177				
Financial liabilities not measured at fair value:								
Margin loans payable	-	-	31,552	31,552				
Other payables	-	-	11,788	11,788				
Due to related company	-	-	7,800	7,800				
Manager's preference shares	-	-	10	10				
	-	-	51,150	51,150				

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 moved from one level to another.

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (continued)
Year ended December 31, 2014
(With figures for the sixteen-month period ended December 31, 2013)

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

(b) Accounting classifications and fair values (cont'd)

(ii) Measurement of fair values:

The following tables show the valuation techniques used in measuring the fair values of financial assets in the Level 2 category.

- Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Municipal and corporate bonds	Market comparison The fair values are based on broker quotes Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments	N/A	N/A

- Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Unquoted preference Shares	Estimated on the basis of the price of a new issue of identical shares (at par) close to the reporting date	N/A	N/A

STERLING INVESTMENTS LIMITED

Financial Statements

December 31, 2014

STERLING INVESTMENTS LIMITED

Table of Contents

Table of Contents	Page
Independent Auditors' Report	1 - 2
Statement of Financial Position	3
Statement of Comprehensive Income	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 33