(FREE ENGLISH LANGUAGE TRANSLATION
FROM SPANISH VERSION)

Barents Re Reinsurance Company, Inc. and Subsidiary

Consolidated Financial Statements for the year ended December 31, 2017 and Independent Auditors' Report of October 26, 2018

Deloitte LATCO
Firma miembro de
Deloitte Touche Tohmatsu Limited

Barents Re Reinsurance Company, Inc. and Subsidiary

Independent Auditors’ Report and 2017 Consolidated Financial Statements

Content **Pages**

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(Free English Language Translation of Spanish Version)

INDEPENDENT AUDITORS' REPORT

Messrs.
Shareholders and Board of Directors
Barents Re Reinsurance Company, Inc. and Subsidiary

Opinion

We have audited the consolidated financial statements of **Barents Re Reinsurance Company, Inc. and Subsidiary** (the Company) which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of **Barents Re Reinsurance Company, Inc. and Subsidiary** at December 31, 2017, and its financial performance, and cash flows for the year ended, in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Panama, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As disclosed in Note 2, as of December 31, 2017, the consolidated financial statements are presented in accordance with the International Financial Reporting Standards, therefore, IFRS 1 First Time Adoption has been applied. The effects of the adoption are presented in Note 25. Our opinion does not include any qualifications in relation to this matter.

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

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

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

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

Deloitte.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and adequate audit evidence related to the financial information of the entities or business activities that make up the Company to express an opinion on the consolidated financial statements. We are responsible for the management, supervision and execution of the Company audit. We remain solely responsible for our audit opinion.

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

Deloitte (signed)

October 26, 2018
Panama, Republic of Panama

Barents Re Reinsurance Company, Inc. and Subsidiary

Consolidated statement of financial position
at December 31, 2017
(In United States of America dollars)

	Notes	2017	2016	January 1, 2016
Assets				
Cash and bank deposits	8	20,538,225	50,571,131	26,324,405
Premiums receivable, net	9	26,592,863	7,976,362	7,344,729
Deposits in ceding companies	10	30,404,646	-	-
Securities available for sale	7, 11	459,053,369	418,921,072	372,439,768
Investment in associate	7,13	5,741,605	6,625,533	6,625,533
Notes and accounts receivable - related parties	7	15,437,409	24,509,905	35,351,346
Accounts receivable - retrocessions	17	17,357,602	1,804,833	-
Other accounts receivable		2,527,791	3,403,836	1,590,820
Property, furniture, equipment and improvements, net	12	4,027,508	4,245,953	4,465,881
Other assets	14	9,315,092	4,302,484	5,846,055
Total assets		590,996,110	522,361,109	459,988,537
Liabilities and equity				
Liabilities				
Technical reserve for premiums and unearned premium reserve	15	25,501,908	22,370,084	23,109,932
Contingencies reserve	16	40,920,861	49,302,891	44,501,307
Claims reserve in process	16	54,591,724	3,436,121	5,587,108
Loans payable	18	720,752	817,297	907,776
Repurchase agreement	19	-	1,021,500	1,254,276
Accounts payable - related companies	7	1,176,374	174,343	19,583
Accounts payable and accrued expenses	20	4,784,121	10,799,064	670,119
Total liabilities		127,695,740	87,921,300	76,050,101
Equity				
Common shares	23	305,780,295	301,893,501	288,772,429
Net changes in securities available for sale		2,898,465	85,590	(2,237,297)
Legal reserve		155,827	155,827	155,827
Retained earnings		137,983,888	119,392,166	97,247,477
Equity attributable to owners of the Company		446,818,475	421,527,084	383,938,436
Non-conrolling interest	22	16,481,895	12,912,725	-
Total equity		463,300,370	434,439,809	383,938,436
Total liability and equity		590,996,110	522,361,109	459,988,537

The accompanying notes are an integral part of these consolidated financial statements.

Barents Re Reinsurance Company, Inc. and Subsidiary

Consolidated statement of profit or loss
For the year ended December 31, 2017
(In United States of America dollars)

	Notes	2017	2016	January 1, 2016
Income from premiums:				
Suscribed premiums		206,744,182	198,348,859	227,847,200
Ceded premiums		(137,749,000)	(128,770,613)	(154,474,093)
Total net retained premium		68,995,182	69,578,246	73,373,107
Decrease in technical reserve on premiums and unearned premium reserve	15	(2,851,374)	(739,848)	(4,796,279)
Decrease (increase) in contingencies reserve	16	(8,382,030)	4,801,584	(6,955,000)
Increase reserve in claims in process	16	20,750,954	3,436,121	5,587,108
Increase reserve of uncollectible accounts		3,627,673	-	-
Net claims paid		26,685,193	39,906,934	42,002,007
Total earned premium		29,164,766	22,173,455	37,535,271
Other incomes (expenses):				
Interests income	7	454,950	1,728,159	1,808,346
Interests paid		(72,694)	(187,127)	(60,470)
Commisions paid		(5,550,401)	(4,400,179)	(795,981)
Risk analysis cost		299,578	(299,205)	(585,580)
Gain in securities available for sale	11	3,818,396	8,372,235	1,922,103
Loss in controlling participation		(625,913)	-	-
Other income		65,441	1,108,859	184,933
Total income, net		27,554,123	28,496,197	40,008,622
General and administrative expenses:				
Salaries and other employee benefits	7	787,252	885,600	703,141
Professional fees		7,500,339	2,324,926	1,128,280
Depreciation and amortization	12	249,414	271,497	261,098
Taxes		195,814	93,308	112,874
Travel expenses		135,363	74,517	601,983
Rentals		4,320	71,398	3,843
Telecommunications		39,906	58,946	38,490
Maintenance and repairs		48,648	48,107	54,840
Electrical energy		48,863	43,977	60,019
Insurances		24,770	23,344	14,234
Bank charges		27,845	33,955	73,696
Legal and notarial expenses		5,161	28,377	9,393
Dues and subscriptions		39,659	14,637	1,580
Customer services		29,720	968	2,197
Donations		-	-	18,168
Others	21	818,287	572,240	281,919
Total general and administrative expenses		9,955,361	4,545,797	3,365,755
Profit before income tax		17,598,762	23,950,400	36,642,867
Income tax	24	234,320	7,218	1,662
Net profit		17,364,442	23,943,182	36,641,205
Net profit attributable to:				
Owners of the Company		17,965,809	23,856,781	36,641,205
Non-controlling interests	22	(601,367)	86,401	-
Net profit		17,364,442	23,943,182	36,641,205

The accompanying notes are an integral part of these consolidated financial statements.

Barents Re Reinsurance Company, Inc. and Subsidiary

Consolidated statement of comprehensive income
For the year ended December 31, 2017
(In United States of America dollars)

	Notes	2017	2016	January 1, 2016
Net profit		17,364,442	23,943,182	36,641,205
Other comprehensive income (losses):				
Gain realized transferred to income	11	(3,818,396)	(8,372,235)	(1,922,103)
Net changes in securities available for sale	11	6,631,271	10,695,122	(352,140)
Total other comprehensive income (loss)		2,812,875	2,322,887	(2,274,243)
Total net comprehensive income of the year		20,177,317	26,266,069	34,366,962
Comprehensive income attributable to:				
Owners of the Company		20,778,684	26,179,668	34,366,962
Non-controlling interests	22	(601,367)	86,401	-
Total comprehensive income for the year		20,177,317	26,266,069	34,366,962

The accompanying notes are an integral part of these consolidated financial statements.

Barents Re Reinsurance Company, Inc. and Subsidiary

Consolidated statement of changes in equity
For the year ended December 31, 2017
(In United States of America dollars)

	Notes	Attributable to owners of the Company						
		Common shares	Net changes in securities available for sale	Legal reserve	Retained earnings	Total	Non- controlling interest	Total equity
Balance as of January 1, 2016		288,772,429	(2,237,297)	155,827	97,247,477	383,938,436	-	383,938,436
Other comprehensive income comprised of:								
Net profit		-		-	23,856,781	23,856,781	86,401	23,943,182
Realized gain transferred to income		-	(8,372,235)	-	-	(8,372,235)	-	(8,372,235)
Net changes in fair value of securities available for sale		-	10,695,122	-	-	10,695,122	-	10,695,122
Total net comprehensive income for the year		-	2,322,887	-	23,856,781	26,179,668	86,401	26,266,069
Transactions attributable to shareholders:								
Capital contribution	23	13,439,775	-	-	-	13,439,775	-	13,439,775
Excluded affiliated from consolidation		(318,703)	-	-	135,457	(183,246)	-	(183,246)
		13,121,072	-	-	135,457	13,256,529	-	13,256,529
Subsidiaries changes in ownership interest that do not result in a loss of control								
Non-controlling interest		-	-	-	(89,928)	(89,928)	12,826,324	12,736,396
Total shareholder's transactions		13,121,072	-	-	45,529	13,166,601	12,826,324	25,992,925
Other equity transactions:								
Adjustments for IFRS adoption	25	-	-	-	(1,757,621)	(1,757,621)	-	(1,757,621)
Balance at December 31, 2016 (Adjusted)		301,893,501	85,590	155,827	119,392,166	421,527,084	12,912,725	434,439,809
Other comprehensive income comprised of:								
Net profit	22	-	-	-	17,965,809	17,965,809	(601,367)	17,364,442
Realized gain transferred to income	11	-	(3,818,396)	-	-	(3,818,396)	-	(3,818,396)
Net changes in fair value of securities available for sale	11	-	6,631,271	-	-	6,631,271		6,631,271
Total net comprehensive income for the year		-	2,812,875	-	17,965,809	20,778,684	(601,367)	20,177,317
Transactions attributable to shareholders:								
Capital contribution	23	4,340,763	-	-	-	4,340,763	-	4,340,763
Transfer of shares in associate	13	(453,969)	-	-	-	(453,969)	-	(453,969)
		3,886,794	-	-	-	3,886,794	-	3,886,794
Subsidiaries changes in ownership interest that do not result in a loss of control								
Non-controlling interest	22	-	-	-	625,913	625,913	4,170,537	4,796,450
Total shareholder's transactions		3,886,794	-	-	625,913	4,512,707	4,170,537	8,683,244
Other equity transactions:								
Increase in legal reserve		-	-	-	-	-	-	-
Balance at December 31, 2017		305,780,295	2,898,465	155,827	137,983,888	446,818,475	16,481,895	463,300,370

The accompanying notes are an integral part of these consolidated financial statements.

Barents Re Reinsurance Company, Inc. and Subsidiary

Consolidated statement of cash flows
For the year ended December 31, 2017
(In United States of America dollars)

	Notes	2017	2016
Cash flows from operating activities:			
Net income		17,598,762	23,950,400
Adjustment for:			
Gain on sale of securities available for sale	11	(3,818,396)	(8,372,235)
Reserve for premiums receivable		3,627,673	-
Technical reserve for premiums and unearned premiums reserve	15	(2,851,374)	(739,848)
Contingency reserve	16	(8,382,030)	4,801,584
Reserve for claims in process	16	20,750,954	3,436,121
Depreciation and amortization	12	249,414	271,497
Income interest		(454,950)	(1,728,159)
Interest expenses		72,694	187,127
Net changes in operating assets and liabilities:			
(Increase) decrease in deposits with maturities greater than 90 days	8	(155,196)	(2,000,000)
Increase in accounts receivable retrocessions	17	(15,552,769)	(1,804,833)
Increase in other accounts receivable		876,045	(1,813,016)
(Increase) decrease in thechnical premium reserve and unearned premium reserve		5,983,198	-
(Increase) decrease in contingency reserve		30,404,649	(5,368,471)
(Increase) decrease in other assets		(4,936,727)	1,150,811
Increase in premiums receivable		(22,244,174)	(631,633)
Increase deposits in ceding companies		(30,404,646)	-
(Decrease) increase in accounts payable and accrued expenses	20	(6,087,637)	10,130,240
Interests earned		379,069	2,120,919
Income tax expense		(234,320)	(5,556)
Net cash used in provided by operating activities		(15,179,761)	23,584,948
Cash flows from investing activities:			
Adquisition of securities available for sale	11	(387,263,105)	(470,704,446)
Sale of securities available for sale	11	353,762,079	434,918,265
Cash and cash equivalents of subsidiary transferred	6	-	(183,246)
Adquisition of furniture and office equipment	12	(30,969)	(51,569)
Net cash used in investing activities		(33,531,995)	(36,020,996)
Cash flows from operating activities			
Capital contributon	23	4,966,676	13,439,775
Net adjustment for subsidiary deconsolidated	6	-	(84,379)
Notes and accounts receivable - related parties	7	10,074,527	8,824,310
Loans payable	18	(96,545)	(90,479)
Repurchase agreements	19	(1,021,500)	(232,777)
Transferred of shares in associates		429,959	-
Capital contribution - non controlling interest	22	4,170,537	12,826,324
Net cash provided by (used in) financing activities		18,523,654	34,682,774
(Increase) decrease in net cash		(30,188,102)	22,246,726
Cash at the beginning of the year	8	48,571,131	26,324,405
Cash at end of the year	8	18,383,029	48,571,131

The accompanying notes are an integral part of these consolidated financial statements.

1. General information

Barents Re Reinsurance Company, Inc. (the "Company") was incorporated in accordance with the laws of the Republic of Panama in 1996 and started operations in April 1996. This Company was acquired as of December 1999. Its main activity is to provide reinsurance services according to the International Reinsurance License granted by the Superintendency of Insurance and Reinsurance through Resolution CNR-03 of August 13, 1996 and according to the General Reinsurance License granted by the Superintendency of Insurance and Reinsurance of Panama through Resolution No.005 of December 16, 2011.

The reinsurance operations in Panama are regulated by the Superintendency of Insurance and Reinsurance of Panama, through Insurance Law No.63 of September 19, 1996. The main office is located at la Rotonda Street, Costa del Este, Prime Time Tower, 23rd Floor, Panama City.

Barents Re Reinsurance Company, Inc. (Panamá) is a subsidiary of Standard Capital Shareholdings, Inc., (B.V.I.).

On December 28, 2009, the shareholders of Barents Re Reinsurance Company, Inc. (Belize) transferred the 100% of its shares to Barents Re Reinsurance Company, Inc. (Panama), becoming Barents Re Reinsurance Company, Inc. (Panama) the holder of all the shares issued and outstanding of Barents Re Reinsurance Company, Inc. (Belize).

Barents Re Reinsurance Company, Inc. (Belize) was incorporated in accordance with the laws of the Republic of Belize in January 2000 and started operations on March 2006. It has an International Reinsurance License granted by the Republic of Belize and is authorized to carry out reinsurance operations by regulators in the Latin American region.

On August 11, 2016, Barents Reinsurance Company, Inc. (Panama) shareholders acquired 51% of Barents Reinsurance S.A. (Luxembourg) shares, together with the minority shareholders who own 49% of the shares, of all the issued and outstanding shares of Barents Reinsurance S.A. (Luxembourg).

As disclosed in Note 5, dated February 15, 2016, it was decided the cession of the subsidiary Barents Re Reinsurance Company Inc. (Barbados),

Based on the above, as of December 31, 2017, this report presents the accounts of Barents Re Reinsurance Company, Inc. Group without including the accounts of Barents Re Reinsurance Company, Inc. (Barbados), as it was ceded, control was lost the Company now has significant influence.

On June 8, 2018, Barents Re Reinsurance Company, Inc. (Panama) shareholders, decided to redomiciliate the operations to the jurisdiction of the Cayman Islands, obtaining a Reinsurance (Class D) license, granted and supervised by the Monetary Authority of Cayman Islands (CIMA, for its acronym in English).

2. Basis of presentation and adoption of International Financial Reporting Standards (IFRSs)

2.1 First time adoption of International Financial Reporting Standards (IFRSs)

The consolidated financial statements of the Company have been prepared for the first time in accordance with the International Financial Reporting Standards (IFRS). In accordance with IFRS, the Group has applied IFRS 1 "Adoption for the first time of the International Financial Reporting Standards".

Until December 31, 2016, the consolidated financial statements of the Group were prepared in accordance with the accounting requirements for the reinsurance industry in the Republic of Panama and modified by prudential regulations issued by the Superintendency of Insurance and Reinsurance of Panama for supervisory purposes. The most important modification is the measurement of premiums and claims incurred.

Notes have been included to the financial statements related to the third consolidated statement of financial position, as of January 1, 2016, which are considered relevant for the understanding of how the first-time adoption of the IFRS affected the Group's financial position to the date of the transition.

Note 25 provides an explanation of how the transition to IFRS has affected the financial situation, the result of its operations and the cash flows of the Group.

2.2 New and implemented standards and interpretations

In the current year the Company has applied a number of amendments to IFRSs issued by the International Accounting Standard Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2017.

<u>IAS 7 - Cash flows</u>

The amendment to IAS 7, issued in January 2016, defines the liabilities arising from financing activities as liabilities "for which the cash flows were or will be classified in the statement of cash flows as the cash flows by financing activities". It also emphasizes that new disclosure requirements are also related to changes in financial assets if they meet the same definition.

It requires new disclosures about changes in liabilities derived from financing activities, such as: changes in financing cash flows, changes resulting from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair value and other changes. It also establishes that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities and includes a reconciliation between the opening and closing balances in the statement of financial position, for liabilities derived from financing activities. Early adoption is allowed.

The Group evaluated and concluded that these amendments have no material impact on the financial statements and are described in greater detail in Note 19 - Changes in liabilities for financing activities, where comparative information is presented with the previous period.

<u>IAS 12 - Income tax</u>

The amendment to IAS 12, issued in January 2016, does not change the underlying principles for the recognition of deferred tax assets, it presents the following clarifications:

- Unrealized losses on debt instruments measured at fair value in financial instruments, but at cost for tax purposes may give rise to deductible temporary differences.

- When an entity assesses whether taxable profits against which a deductible temporary difference may be available, it will consider whether tax legislation restricts the sources of taxable profits against which it can make deductions at the time of the reversal of that temporary difference. deductible. If the tax legislation does not impose these restrictions, an entity will evaluate a deductible temporary difference in combination with all others. However, if the tax legislation restricts the use of losses to be deducted against income of a specific type, a deductible temporary difference will be evaluated in combination only with those of the appropriate type.

- The entity must confirm whether it has sufficient fiscal profits in future periods, comparing the deductible temporary differences with future tax profits that exclude tax deductions from the reversal of such deductible temporary differences. This comparison shows the extent to which the future fiscal profit will be sufficient for the entity to deduct the amounts from the reversal of deductible temporary differences.

- Possible future taxable profits could include the recovery of some assets of the entity for an amount greater than their book value if there is sufficient evidence that the entity is likely to comply. That is, in the case of an asset when measured at fair value, the entity must verify if it is certain that the recovery of the asset is likely to exceed the book value, such as maintaining a fixed-rate debt instrument and collect the contractual cash flows.

<u>IFRS 12 - Disclosure of interests in other entities</u>

The amendment to IFRS 12, which forms part of the annual improvements to IFRS 2014-2016 Cycle standards issued in December 2016, clarifies the scope of the standard, adding the indication that the requirements of this IFRS apply to interest of subsidiaries, joint arrangements, associates and non-consolidated structured entities that are classified (or classified) as held for sale or discontinued operations in accordance with IFRS 5 - Non-current assets held for sale and discontinued operations, but the exception of revealing information about them is preserved according to paragraph B17 of the standard.

These amendments have no material impact on the financial statements.

2.3 New and new interpretations and / or revised, but not yet effective

The new standards and amendments to the IFRS, as well as the interpretations (IFRIC) that have been published in the period, but that have not yet been implemented by the Company, are detailed below:

Standard	Mandatory application date	Type of change
IFRIC 23 - Uncertainty regarding the treatment of income tax	January 1, 2019	New
IFRIC 22- Foreign currency transactions and advance consideration	January 1, 2018	New
IFRS 15 - Revenue from contracts with customers	January 1, 2018	New
IFRS 16 - Leases	January 1, 2019	New
IFRS 9 - Financial instruments	January 1, 2018	Modification
IAS 40 - Investments properties (transfers of investment properties)	January 1, 2018	Modification
IFRS 9 - Financial instruments (early settlement with negative offsetting)	January 1, 2019	Modification
IAS 12 - Income tax (annual improvements to IFRS Standards 2015-2017 Cycle - consequences of income tax, of payments in financial instruments classified as equity)	January 1, 2019	Modification
IAS 23 - Loan costs (annual improvements to IFRS Standards 2015-2017 Cycle - costs for loans subject to capitalization)	January 1, 2019	Modification

IFRIC 23 - Uncertainty regarding the treatment of income tax

Issued in June 2017, this interpretation attempts to resolve the problem of how to reflect in the financial statements, the uncertainty that arises from the fact that an accounting treatment applied in tax returns is or is not accepted by the tax authority. In the face of such uncertainty, the accounting treatment is considered an "uncertain accounting treatment" to which it is evaluated whether or not it is probable that the tax authority accepts it. If accepted, the accounting tax position consistent with the tax treatment used or planned to be used in the income tax returns of the entity must be determined and if not, the effect of the uncertainty in the determination of the tax must be reflected related accounting tax position. In the latter case, the effect of the uncertainty must be estimated, using either the most probable quantity or the expected value method, depending on which method best predicts the solution of the uncertainty.

The interpretation allows to apply any of the following approaches for the transition:

- Full retrospective approach: this approach can be used only if possible without the use of hindsight. Application of the new interpretation will be accounted for in accordance with IAS 8, which means that comparative information will have to be reissued; or

- Modified retrospective approach: the reissuance of comparative information is not required or allowed according to this approach. The cumulative effect of initially applying the interpretation will be recognized in the opening equity at the date of the initial application, being the beginning of the annual reporting period in which the entity applies the interpretation for the first time.

The Group is evaluating the impacts that the application of this interpretation could generate.

The interpretation will be mandatory for annual periods beginning on or after January 1, 2019. Early application is allowed.

IFRIC 22 - Foreign currency transactions and advance consideration

Issued in December 2016, this interpretation deals with how to determine the date of the transaction to define the exchange rate that will be used in the initial recognition of assets, expenses or income (or part of it), in the derecognition of a non-monetary asset or non-monetary liability resulting from the payment or receipt of an advance in foreign currency. In this regard, the IFRS Interpretations Committee reached the following conclusion: the date of the transaction, for purposes of determining the exchange rate, is the date of the initial recognition of the non-monetary advance payment asset or the income liability, deferred. If there are several payments or receipts in advance, a transaction date is established for each payment or receipt. It does not apply when an entity measures the related asset, expense or income on the initial recognition at its fair value or at the fair value of the consideration paid or received on a date other than the date of the initial recognition of the non-monetary asset or the non-monetary liability. Monetary value derived from the anticipated consideration (for example, the measurement of goodwill in accordance with IFRS 3 - Business combinations). It also does not apply to income tax and insurance contracts.

These amendments have no impact on the financial statements, since they coincide with the Groups current practice.

The interpretation will be mandatory for annual periods beginning on or after January 1, 2018. Early application is allowed.

IFRS 15 - Revenue from contracts with customers

Issued in May 2014, it is a new standard applicable to all income agreements for ordinary activities arising from contracts with customers, except for leases, financial instruments and insurance contracts that are regulated by their respective regulations. It is a joint project with the Financial Accounting Standards Board - FASB to eliminate differences in revenue recognition between IFRS and US GAAP.

The clarifications made in April 2016 to IFRS 15 include the following aspects:

a. Identification of the action as principal or agent:

When a third party is involved in providing goods or services to a customer, the Group will determine whether the nature of its commitment is a performance obligation consisting of providing the goods or services specified by itself (that is, acting as a principal) or in arranging for the third party the supply of those goods or services (that is, acting as an agent).

b. Variable consideration:

It is any amount that is variable according to the contract. The amount of the consideration may vary due to discounts, refunds, compensations, reimbursements, credits, price reductions, incentives, performance bonuses, penalties or other similar elements. The agreed compensation can also vary if the right of an entity to receive it depends on whether or not a future event occurs. For example, a consideration amount would be variable if a product with a right of return was sold or a fixed amount is promised as a performance premium at the time of achieving a specified milestone.

c. Application methods:

The standard allows the use of two methods for the initial application as follows: full retrospective method and modified method. The Company applies the modified method.

Modified method: With the modified approach, the cumulative effect of the initial application shall be recognized as an adjustment to the opening balance of retained earnings (or other component of equity, as applicable) of the annual reporting period that includes the initial application date. Under this transition method, an entity applies this Standard retroactively only to contracts that are not completed on the date of initial application (for example, January 1, 2018 for an entity with December 31 as the end of the year).

For submission periods that include the initial application date, an entity shall provide all of the following additional disclosure information:

(a) The amount for which each line item in the financial statements is affected in the current reporting period by the application of this Standard compared to IAS 11 and IAS 18 and related interpretations that were in effect prior to the change; and

(b) An explanation of the reasons for the significant changes identified. The new standard aims to improve the inconsistencies and weaknesses of IAS 18 and provide a model that will facilitate the comparability of companies from different industries and regions. It provides a new model for revenue recognition and more detailed requirements for contracts with multiple elements. In addition, it requires more detailed disclosures.

The basic principle of IFRS 15 is that an entity recognizes revenues from ordinary activities in a way that represents the transfer of goods or services committed to customers in exchange for an amount that reflects the consideration to which the entity expects to be entitled to. change of said goods or services.

An entity recognizes revenue from ordinary activities in accordance with that basic principle through the application of the following steps:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services under lying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added to the standard to deal with specific scenarios. Furthermore, extensive disclosures are required.

It would replace the IAS 18 - Income, IAS 11 - Construction contracts, IFRIC 13 - Customer loyalty programs, IFRIC 15 - Agreements for the construction of real estate, IFRIC 18 - Transfers of assets from customers and SIC 31 - Transactions of barter that include advertising services.

The Group continues to evaluate the new standard with special emphasis on the identification of performance obligations included in contracts with customers and the evaluation of methods to estimate the amount and timing of variable consideration. Although the impact remains subject to review, the Company does not consider that the adoption of IFRS 15 has a material impact on the financial statements.

The amendments will be mandatory for annual periods beginning on or after January 1, 2018. Early application is allowed.

<u>IFRS 16 - Leases</u>

Issued on January 2016, this standard introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It will supersede the current lease guidance including IAS 17 - Leases and the related interpretations when it becomes effective.

To distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right -of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right -of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required. The Group is evaluating the impacts that the application of this new standard could generate.

IFRS 9 - Financial instruments

IFRS 9 and its amendment issued in July 2014, establishes that financial assets are classified in their initial recognition in three categories, according to the business model and the characteristics of the cash flows, in which it can be given, that they are maintained to collect the flows and are held until maturity (they are valued at amortized cost), which are held until maturity but can be sold sporadically (at fair value with changes in other comprehensive income) and those that are for sale in a systematic way (at fair value with changes in results).

In equity instruments, IFRS 9 applies whenever there is no significant influence (IAS 28 - Investments in associates), joint control (IFRS 11 - Joint agreements) or control (IFRS 10 - Consolidation), so it is generally Shareholdings in other entities with voting rights of less than 20%. If they are held for trading purposes, they are classified at fair value through profit or loss, but if they are held for some strategy, they can be irrevocably designated at fair value with changes in the ORI and can not be modified.

With respect to the impairment of financial assets, the model of loss incurred is transferred to the model of expected credit losses. According to the impairment approach in IFRS 9, it is no longer necessary for an event related to the credit to occur before the credit losses are recognized. Instead, an entity will always account for expected credit losses, as well as changes in expected credit losses. The amount of expected credit losses is updated on each reporting date to reflect changes in credit risk since initial recognition and, therefore, more timely information is provided on the expected credit losses.

Because the expected credit loss model was developed for financial entities, the standard allows for the application of more simplified models for non-financial entities, such as the provisions matrix. The Group implemented a statistical model, "uncollectibility matrix" as a practical resource, and allows the application of the simplified model (accross the expected life of the financial asset).

With respect to hedge accounting, IFRS 9 establishes three types of coverage: for cash flows, fair value and investments in foreign businesses. The relevant change is that the limits established for the evaluation of the retrospective effectiveness of the coverage are eliminated and are more aligned with the risk management activities, that is, the evaluation of the effectiveness is aligned with the risk management to through qualitative principles instead of quantitative rules; only an evaluation of the effectiveness of the coverage will be necessary at the beginning and then later, but with a prospective nature, its retrospective evaluation will no longer be a requirement. Likewise, it does not require compliance with established quantitative limits; however, the inefficiency of the coverage at the end of each year must continue to be measured and recognized. Previously, coverage had to be highly effective, both prospectively and retroactively.

IFRS 9 with respect to coverages establishes that:

- The qualification of the coverage is based on qualitative factors and the prospective evaluation of effectiveness. If the effectiveness was not what was expected, the coverage relationship can be re-balanced, without the need to discontinue hedge accounting, unless it is not expected to be effective in the future.

  Voluntary termination of the coverage relationship is not allowed.

- It is necessary to ensure that the relationship of the coverage is properly designated and documented, specifying the objectives and risk management strategies and how the effectiveness will be evaluated, the causes of ineffectiveness and how the coverage ratio will be calculated.

- The posting of the temporary value of the options in the hedging relationships whether cash flow or fair value whose change in fair value may be deferred under certain rules as a cost of coverage is modified. With IAS 39 this component leads to results as inefficiency.

  The amendments will be mandatory for annual periods beginning on or after January 1, 2018. Early application is allowed.

<u>IAS 40 - Investment properties</u>

The amendment made in December 2016 has an effect on transfers of investment properties (reclassifications) motivated by the "change in their use", extending the latter term: a change in use occurs when the property meets, or fails to meet, the definition of investment property and there is evidence of change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. To this end, we continue with the examples provided by the standard in paragraphs 57 and 58 (not substantially modified). Paragraphs 84C to 84E and 85G were added to define the transitional provisions when making transfers of investment properties.

The Group is evaluating the impacts that the application of this modification could generate. Modifications will be mandatory for annual periods beginning on or after January 1, 2018.

IFRS 9 - Financial instruments

The amendments to IFRS 9, related to prepaid characteristics with negative compensation, allow companies to measure financial assets, prepaid with negative compensation at amortized cost or fair value, through other comprehensive income if a specific condition is met; instead of at fair value with profit or loss.

The Group is evaluating the impacts that the application of this modification could generate. Modifications will be mandatory for annual periods beginning on or after January 1, 2019.

IAS 12 - Income tax

The amendment to IAS 12, which is part of the annual improvements to the IFRS 2015-2017 cycle rules issued in December 2017, clarifies that all the consequences of income tax on dividends (distribution of benefits) must be recognized in results, other comprehensive income or equity, depending on the initial recognition of the transaction. Specifically, it establishes that an entity will recognize the consequences of dividend income tax as defined in IFRS 9 when it recognizes a liability to pay a dividend. The consequences of income tax on dividends are more directly linked to past transactions or events that generated distributable profits, than to distributions made to owners. Therefore, an entity recognizes the consequences of dividends on income tax in profit or loss, other comprehensive income or equity depending on where the entity originally recognized those transactions or past events.

The Group is evaluating the impacts that the application of this modification could generate. Modifications will be mandatory for annual periods beginning on or after January 1, 2019. Early application is allowed.

IAS 23 - Loan costs

The amendment to IAS 23, which forms part of the annual improvements to the IFRS 2015-2017 cycle rules issued in December 2017, establishes that to the extent that the funds of an entity come from generic loans and use them to obtain a eligible asset this will determine the amount of the capitalization costs applicable by applying a capitalization rate to the disbursements made in said asset. The capitalization rate will be the weighted average of the borrowing costs applicable to all loans received by the entity pending during the period. However, an entity shall exclude from this calculation the borrowing costs applicable to loans specifically agreed to finance an eligible asset until substantially all the activities necessary to prepare that asset for its intended use or sale are completed. The amount of borrowing costs that an entity capitalizes during the period will not exceed the total borrowing costs incurred during the same period.

The Group is evaluating the impacts that the application of this modification could generate. Modifications will be mandatory for annual periods beginning on or after January 1, 2019. Early application is allowed.

3. Significant accounting policies

The significant accounting principles and practices applied in the recording of transactions and preparation of the accompanying consolidated financial statements are as follows:

3.1 Basis of preparation

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the Accounting Standards Board. The consolidated financial statements have been prepared on a historical cost basis, except for the securities available for sale which are presented at their fair value.

3.2 Regulatory matters

The Company applies accounting practices specific to the reinsurance industry which emphasize the liquidity and solvency of the Company to fulfill its obligations. Under these practices, the Company records the gained or incurred income or expenses of the year, the commissions earned on ceded reinsurance, the fees paid to brokers on premiums.

Technical reserve for premiums
According to legal requirements, the Company defers 35% of net retained premiums in the twelve months preceding the date of the consolidated statements of financial position, except for the marine premiums in which 10% is deferred. Reinsurance premiums assumed each year are deferred by 35%. These reserve premiums are accrued the following year.

Reserve for unearned premium
The unearned premium reserve in progress is calculated using the daily pro rata method, in which the subscribed premium is considered proportional to the validity indicated on the invoice, so the amount of the liability is calculated taking into account the proportion of the risk not incurred. each invoice to the valuation date.

Contingency reserve
Reinsurance contracts are based on the expected cost of claims reported at the date of the consolidated statement of financial position and the estimated costs of claims incurred but not reported to the Company. It may take a significant period of time before it is established with certainty the ultimate cost of claims.

Adjustments to reserves are recorded each year in the consolidated statement of profit or loss. The reserve is adjusted to recognize the participation of the reinsurers.

Reserve for claims in process
Losses are recognized in the profit or loss statement based on an estimate of the liabilities that are expected to be settled.
Losses arising from the reinsurance business and loss expenses paid during the year together with the movement in the provision for claims in process. The claims in process are made up of the accumulation of the final costs to settle all the reported and incurred losses at the date of the consolidated statement of financial position.

Reserve of claims incurred, but not reported (IBNR)
The reserve of claims incurred, but not reported (IBNR), is calculated according to the actuarial formulas worldwide recognized: incidents incurred, arranged in the form of triangles to estimate future evolution, applying the global statistical method.

The Company considers that the gross provisions for claims in process are reasonably presented based on the information that is available, the final liability could vary as a result of subsequent information and could result in significant adjustments to the amounts provisioned.

3.3 Principle of consolidation

The consolidated financial statements comprises the financial statements of Barents Re Reinsurance Company, Inc. and subsidiaries controlled by the Company. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if the facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee has power over it when voting rights are sufficient to give the practical ability to direct their relevant activities unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Income and each component of other comprehensive income are attributed to the controlling and non-controlling interests. Comprehensive income is attributed to the controlling and non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All balances and transactions between the Company and its subsidiaries have been eliminated on consolidation.

In preparing the consolidated financial statements, management is responsible for combining the consolidated financial statements of the parent company line by line, adding the items representing assets, liabilities, equity, income and expenses of similar content. In order for the consolidated financial statements to present financial information of the Group, as if it were a single economic entity, proceed as follows:

- The carrying amount of the parent's investment in each of the subsidiaries, together with the portion of the equity belonging to the parent company in each of the subsidiaries, are eliminated;
- Non-controlling participants are identified in the results of the consolidated subsidiaries, which refer to the reporting period; and
- Non-controlling interests in the net assets of the consolidated subsidiaries are identified separately from those of the parent company.

3.4 Balances and transactions in foreign currency

Functional and presentation currency

The items included in the consolidated financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in dollars (US$), the functional and presentation currency of the Company.

Balances and transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation at year end of assets and liabilities denominated in foreign currencies are recognized in profit or loss.

3.5 Financial assets

Financial assets are classified into the following specific categories: securities available for sale, premiums receivable, and notes receivable. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Premiums receivable

Premiums receivable generally have collectable terms of 30 to 45 days, and they are recognized at the amount of the respective insurance contracts, and are measured at cost. The book value of premiums receivable is reviewed for impairment when events and circumstances indicate that they will not be recoverable, with an impairment loss recognized in the profit or loss.

The Company recorded as accounts receivable uncollected premiums at maturity of the agreed form of payment. These premiums receivable are held for a period of 90 days, whether or not they have accrued redemption values except when it comes to premiums receivable with related parties.

Securities available for sale

They consist of securities purchased with the intention of holding them for a period of indefinite duration, which can be sold in response to the needs for liquidity or changes in interest rates or prices of equity instruments. After initial recognition, investments available for sale are measured at fair value. For those cases where fair value estimates are not reliable, investments are held at cost or amortized cost.

Gains or losses arising from changes in the fair value of securities available for sale are recognized directly in equity until are discharged the financial assets or impairment is determined. At this time, the cumulative gain or loss, previously recognized in equity is recognized in the results. Dividends on equity instruments available for sale are recognized in the consolidated statement of profit or loss when the entity's right to receive payment is established.

The fair value of an investment in securities is generally determined based on quoted market price at the date of the consolidated statement of financial position. If the quoted market price is not available, the fair value of the instrument is estimated using pricing models or technical calculations of discounted cash flows.

Ceding deposits

The ceding deposits are presented at cost and consist of deposits generated by reinsurance contracts with insurance companies that arise from the normal course of business.

Accounts receivable - retrocessions

Accounts receivable retrocessions are presented at cost and are generated by premium commitments assumed during the current period corresponding to the coverage of the retrocessionaires.

Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

3.6 Impairment of financial assets

Premiums receivable

Premiums receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

At the end of each reported period, the premium receivable balance is reviewed to determine if there is an objective evidence of non-recoverable. If so, the loss impairment is recognized immediately in the statement of profit and loss and other comprehensive income. The impairment loss is carried out on 100% credit risk. In measuring the impairment loss the Administration calculates the credit risk exposure taking into account the accounts receivable net of reinsurer participation, acquisition costs, unearned premiums and related taxes.

Assets classified as available for sale

At the date of the consolidated statement of financial position, the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the financial asset is decreased below its cost is taken into account in determining whether the assets are impaired. If such evidence exists for financial assets available for sale, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on financial assets previously recognized in the profit or loss, are removed from equity and recognized in the consolidated profit or loss. Impairment losses recognized in the consolidated statement of profit or loss on equity instruments are not reversed through the consolidated statement of profit or loss but the amount is recognized in the equity account. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the loss impairment be reversed through the consolidated statement of profit or loss.

3.7 Impairment of non-financial assets

On the date of each consolidated statement of financial position, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss in value. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss in value, if any. Where the asset does not generate cash flows that are themselves independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is subjected to an impairment test once a year.

If it is estimated that the recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Immediately an impairment loss is recognized in the results of operations.

3.8 Fair value measurement and valuation process

The Company measures fair value using hierarchy levels that reflect the meaning of the input used to make the measurements. The Company has established a documented process and policy to determine the fair value in which the responsibilities and segregation of functions between the different responsible areas that intervene in this process are defined and approved by the Board of Directors.

IFRS 13 sets a hierarchy of the valuation techniques based on whether the information included in those valuation techniques are observable or unobservable. The observable information reflects market data from independent sources; the unobservable input reflects the Company's market assumptions. These two types of information have set the following fair value hierarchy:

- Level 1- Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 - Inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 - Inputs are unobservable inputs for the asset or liability.

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique and inputs used).

	Fair value					
Financial assets	**2017**	**2016**	**Favir value hierarchy**	**Valuation techniques (s) and key inputs**	**Significant unobservable inputs no observables significativos**	**Relationship of unobservable inputs to fair value**
Securities available for sale	455,853,369	415,721,072	Level 1	Quoted prices in active markets	N/A	N/A
Total	455,853,369	415,721,072				

Fair value of the Company's financial assets and liabilities that are not measured at fair value (but fair value disclosures are required)

The Company believes that the carrying values of the financial assets and financial liabilities recognized at amortized cost in the consolidated financial statements approximate their fair value.

	2017		2016	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Cash and deposits in banks	20,538,225	20,538,225	50,571,131	50,571,131
Deposits in ceding companies	30,404,646	30,404,646	-	-
Investment available for sale	3,200,000	3,200,000	3,200,000	3,200,000
Premiums receivable	26,592,863	26,592,863	7,976,362	7,976,362
Accounts receivable - retrocessions	17,357,602	17,357,602	1,804,833	1,804,833
	98,093,336	98,093,336	63,552,326	63,552,326
Liabilities				
Loan payable	720,752	656,674	817,297	739,228
Repurchase agreement	-	-	1,021,500	1,018,910
	720,752	656,674	1,838,797	1,758,138

	Total	Fair value hierarchy Level 1	Level 2	Level 3
2017				
Financial assets:				
Cash and deposits in banks	20,538,225	-	20,538,225	-
Deposits in ceding companies	30,404,646	-	-	30,404,646
Premiums receivable	26,592,863	-	-	26,592,863
Accounts receivable - retrocessions	17,357,602	-	-	17,357,602
	94,893,336	-	20,538,225	74,355,111
Financial liabilities:				
Loan payable	656,674	-	-	656,674
	656,674	-	-	656,674

	Total	Fair value hierarchy Level 1	Level 2	Level 3
2016				
Financial assets:				
Cash and deposits in banks	50,571,131	-	50,571,131	-
Accounts receivable - retrocessions	1,804,833	-	-	1,804,833
Premiums receivable	7,976,362	-	-	7,976,362
	60,352,326	-	50,571,131	9,781,195
Finanical liabilities:				
Loan payable	739,228	-	-	739,228
Repurchase agreement	1,018,910	-	-	1,018,910
	1,758,138	-	-	1,758,138

In the case of demand deposits and time deposits the carrying value approximates fair value due to their short-term nature. In the case of premiums receivable, book value is the best estimate of fair value due to the nature of the business relationship with the customer.

3.9 Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

Debt and equity instruments are classified as financial liabilities or as equity in accordance to the contractual arrangements.

Equity instruments

An equity instrument is any contract that evidences a residual interest on the assets of an entity after deducting all its liabilities. Equity instruments issued by the Company are recorded at the amount received, net of direct issuance costs.

Barents Re Reinsurance Company, Inc. has an internal capitalization and dividend policy aimed at providing the units in a rational and objective manner the necessary capital to cover the risks assumed.

Financial liabilities

Financial liabilities are classified as financial liabilities with changes in profit or loss and other financial liabilities.

Derecognition of financial liabilities

The Company writes off financial liabilities when, and only when, the obligations of the Company are settled, canceled or expired.

3.10 Premium income

Income is presented at fair value of the consideration received or receivable, taking into account the amount of any commercial discounts, bonuses or rebates granted by the entity.

Income from subscribed premiums and related production costs (commissions paid, ceded reinsurance, and commissions earned from reinsurance) are recognized when the reinsurance contracts come into force and the amount of the premiums is received.

3.11 Reinsurance contracts

In the normal course of business, the Company has signed reinsurance agreements with insurance and reinsurance companies.

Retrocession or reinsurance ceded is hired with the primary purpose of obtaining a recovery of direct losses that could be generated by events or disasters. However, reinsurance contracts do not relieve the Company from its contractual obligations to policyholders or beneficiaries.

The amounts expected to be recovered from reinsurers are recognized in accordance with the clauses in the contracts signed by both parties. To ensure consistency of this policy, the reinsurance company evaluates, on a periodic basis, the financial condition of its retrocession, risk concentration, as well as changes in economic and regulatory environment.

Gains and losses on reinsurance contracts are recognized in the consolidated statement of profit or loss immediately at the time of hiring and are not amortized. Premiums and claims are presented on a gross basis for both ceded and assumed premiums.

3.12 Property, furniture, equipment and improvements

The property, furniture, equipment and improvements are stated at cost of acquisition, net of accumulated depreciation and amortization. Significant improvements are capitalized, while minor repairs and maintenance that do not extend the life or improve the asset are charged to expenses as incurred.

The depreciation and amortization are charged to current operations on a straight-line method, based on the estimated useful life of the assets:

Furniture and office equipment	3 - 10 years
Computer equipment	3 - 7 years
Building and improvements	30 years

Assets subject to amortization are reviewed for impairment as long as changes in the circumstances indicate that the carrying value is not recoverable. The carrying value of the assets is immediately reduced to the recoverable amount, which is the higher between fair value less cost and used value.

An item of property, furniture, equipment and improvement is written off its eventual disposal or when no future economic benefit arising from the continued use of the asset is expected.

Any gain or loss arising on the disposal or retirement of an item of furniture, equipment and improvement are determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognized in the consolidated statement of profit or loss.

3.13 Legal reserve

The legal reserve of reinsurers is established based on 1/4% of the increase in premiums signed each year compared to previous years.

3.14 Cash

For the purposes of presenting the consolidated statement of cash flows, cash includes balances with banks and interest-bearing deposits with original maturities of three months or less from the date the deposit was placed.

4. Financial risk management

4.1 Financial risk management objectives

The Company's activities are exposed to a variety of financial risks and such activities include the analysis, assessment, acceptance and management of a certain degree of risk or a combination of risks. Taking risks is basic in the financial business, and operational risks are unavoidable risks when being in the business. Therefore, the Management's objective is to achieve an adequate balance between the risks and return and minimize possible adverse effects on the financial execution of the entity.

The activities of the entity are primarily related to the use of financial instruments and, as such, the consolidated statement of financial position consists mainly of financial instruments. Being exposed to the following risks when using them:

- Insurance risk
- Credit risk
- Liquidity risk
- Market risk
- Operational risk

The Company is responsible for establishing and supervising the risk management policies on financial instruments. To that effect, it has appointed committees to take care of periodic administration and supervision of the risks to which the entity is exposed.

Additionally, the Company is subject to the regulations of the Superintendency of Insurance and Reinsurance in the jurisdictions of the Republic of Belize, Republic of Barbados and Republic of Panama, in the areas concerning the concentration of risks, liquidity and capitalization, among others.

The main risks identified by the entity are credit, liquidity, market and operational risks which are described as follows:

4.2 Insurance risk

The risk covered under a contract, in any of its various forms, is the possibility that the insured event occurs and therefore the uncertainty is realized in the amount of the claim. By the nature of the insurance contract, this risk is random and therefore unpredictable.

Regarding a portfolio of contracts where the theory of large numbers and probabilities for pricing and dispose provisions are applied, the main risk the Company faces is that the claims and/or payments of benefits covered by the policies exceed the carrying amount of insurance liabilities. This could happen as the frequency and/or severity of claims and benefits are greater than estimated. The factors that are considered to make the assessment of insurance risks are:

- Frequency and severity of claims
- Sources of uncertainty in the calculation of future claims

The Company has contracted reinsurance coverage that protect against loss frequency and severity. Negotiations of reinsurance coverage include excess of loss, stop loss and catastrophe. The aim of these negotiations is that the net insurance losses do not affect the total net assets and liquidity of the Company in any year. Besides of the total reinsurance program of the Company, additional reinsurance protection can be purchased by facultative contract when the risk assessment so warrants.

The Company has developed an insurance underwriting strategy to diversify the types of insurance risks accepted. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, and geographic location. The underwriting strategy attempts to ensure that underwriting risks are well diversified in terms of type and amount of risk. Subscription limits function to execute the selection criteria of appropriate risk.

4.3 Credit risk

Is the risk of a financial loss for the entity, which occurs when a counterpart of a financial instrument fails to comply with its contractual obligations, and arises mainly from investment in securities.

For risk management purposes, The Company considers all elements of credit risk exposure: issuer risk, country risk, and sector or industry risk. Credit risk arising from holding securities is considered as a component of credit risk exposure.

The Company continuously monitors the financial condition of the issuers of securities involving a credit risk to the entity. It is responsible for developing changes to the credit policies and presenting the same to the Board of Directors which has the responsibility for the final approval.

The Company has established certain procedures to manage credit risk, as summarized below:

Preparation of credit policies:

Credit policies are issued or revised per recommendation of any member of the Company's Management and Board of Directors, considering the following factors:

- Changes in market conditions.
- Risk factors.
- Changes in laws and regulations.
- Changes in financial conditions and credit availability.
- Other factors relevant at the time.

Every change in policies or preparation of new policies must be approved by the Board of Directors, which in turn issues a memorandum of instructions for its subsequent disclosure and implementation.

Similarly, the entity has limited its exposure in various places through the country risk policy, where countries have been defined to have exposure based on Management's strategic plan; in turn, exposure limits for investment have been implemented in these countries, based on the credit rating of each of them.

Maximum limits per counterparty:

Regarding the exposures by counterparties, there are limits based on risk rating of the counterparty, as a proportion of the capital of the Company.

Policy compliance review:

The Company is responsible for the quality and performance of loans in their portfolios, as well as for control and monitoring of their risks.

The table below analyzes the Company's portfolio of securities available for sale which are exposed to credit risk, and its corresponding assessment based on its rating:

	2017	2016
Investment grade	455,853,369	415,721,072
Non rated investment	3,200,000	3,200,000
	459,053,369	418,921,072

In the previous table, the factors of greatest risk exposure of the investment portfolio have been detailed.

To manage financial risk exposures of the investment portfolio, the entity uses external investment ratings as detailed below:

Investment rating	International qualifications
Investment grade	AAA, AA, AA+, AA-, A+, A-, BBB+, BBB, BBB-
Standard monitoring	BB+, BB, BB-, B+, B, B-
Special monitoring	CCC to C
Non rated	-

Management monitors the credit risk concentration by sector and geographical location. The credit risk concentration analysis of the consolidated financial statements at December 31 is as follows:

	Premiums receivable		Securities available for sale	
	2017	**2016**	**2017**	**2016**
Concentration by sector:				
Corporate	26,592,863	7,976,362	86,501,808	85,733,603
Government	-	-	372,551,561	333,187,469
Carrying amount	26,592,863	7,976,362	459,053,369	418,921,072
Geographic concentration:				
South America and Caribbean	26,592,863	7,976,362	-	-
United States of America	-	-	459,053,369	418,921,072
Carrying amount	26,592,863	7,976,362	459,053,369	418,921,072

The geographical concentration for investments is measured based on the issuer's location of the investment.

4.4 Liquidity or financing risk

Liquidity risk is defined as the risk that the entity may have difficulties to obtain the funds to meet timely its commitments or obligations.

Management has established minimum liquidity levels to meet its operating needs and commitments.

The Liquidity Risk caused by the mismatch of terms between assets and liabilities is measured by using the Liquidity Gap or Term Matching. In this analysis, simulations and stress tests are done based on the difficulties caused by the lack of liquidity, such as, unexpected withdrawals of funds contributed by creditors or clients, impairment in the quality of the loan portfolio, volatility of resources obtained, etc.

The analysis of the maturities of the determined financial assets and financial liabilities based on the remaining period at the date of the consolidated statement of financial position or up to the contractual maturity date is detailed below:

	No maturity	Up to 3 months	3 moths 1 year	Over a year	Total
2017					
Financial assets:					
Cash and deposits in bank	18,383,029	-	2,155,196	-	20,538,225
Deposits in ceding companies	30,404,646	-	-	-	30,404,646
Securities available for sale	-	-	459,053,369	-	459,053,369
Premiums receivable	-	-	26,592,863	-	26,592,863
Accounts receivable - retrocessions	-	-	17,357,602	-	17,357,602
Total financial assets	48,787,675	-	505,159,030	-	553,946,705
Financial liabilities:					
Loans payable	-	-	720,752	-	720,752
Total financial liabilities	-	-	720,752	-	720,752

	No maturity	Up to 3 months	3 moths 1 year	Over a year	Total
2016					
Financial assets:					
Cash and deposits in bank	48,571,131	-	2,000,000	-	50,571,131
Securities available for sale	-	-	418,921,072	-	418,921,072
Premiums receivable	-	-	7,976,362	-	7,976,362
Accounts receivable - retrocessions	-	-	1,804,833	-	1,804,833
Total financial assets	48,571,131	-	430,702,267	-	479,273,398
Financial liabilities:					
Loan payable	-	-	-	817,297	817,297
Repurchase agreement	-	-	-	1,021,500	1,021,500
Total financial liabilities	-	-	-	1,838,797	1,838,797

4.5 Market risk

Is the risk that the value of a financial asset may be reduced because of changes in interest rates, currency exchange rates, stock prices, and other financial variables, as well as the reaction of market participants to political and economic events, whether by latent losses or potential profits. Market risk management's objective is to manage and monitor the risk exposures and at the same time to make sure that they are maintained within acceptable parameters optimizing the risk returns.

The risk management policies provide the compliance with limits for each financial instrument; limits regarding the maximum amount of loss that require the closing of positions that caused such losses; and the requirement that, unless approved by the Board of Directors, substantially all assets and liabilities are denominated in United States Dollars or in Balboas.

As part of the market risk, the entity is mainly exposed to interest rate risk.

Interest rate risk of cash flow and fair value - The cash flow and interest rate risks of fair value are the risks that the future cash flows and the value of financial instruments may fluctuate due to changes in market interest rates.

The table below summarizes the Company´s exposure to interest rate risks. The Company´s financial assets and financial liabilities are included in the table at its carrying amount, categorized by the earlier between the repricing and the maturity dates:

	Upt o 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No interest rate	Total
2017						
Financial assets:						
Cash and deposits in banks	-	-	-	-	20,538,225	20,538,225
Deposits in ceding companies	-	-	-	-	30,404,646	30,404,646
Securities available for sale	-	459,053,369	-	-	-	459,053,369
Premiums receivable	-	26,592,863	-	-	-	26,592,863
Accounts receivable - retrocessions	-	17,357,602	-	-	-	17,357,602
Total financial assets	-	503,003,834	-	-	50,942,871	553,946,705
Financial liabilities:						
Loan payable	-	720,752	-	-	-	720,752
Total financial liabilities	-	720,752	-	-	-	720,752
Net liquidity margin	-	502,283,082	-	-	50,942,871	553,225,953
2016						
Financial assets:						
Cash and deposits in banks	-	-	-	-	50,571,131	50,571,131
Securities available for sale	-	418,921,072	-	-	-	418,921,072
Premiums receivable	-	7,976,362	-	-	-	7,976,362
Accounts receivable - retrocessions	-	1,804,833	-	-	-	1,804,833
Total financial assets	-	428,702,267	-	-	50,571,131	479,273,398
Finanical liabilities:						
Loan payable	-	-	817,297	-	-	817,297
Repurchase agreement	-	-	1,021,500	-	-	1,021,500
Total financial liabilities	-	-	1,838,797	-	-	1,838,797
Net liquidity margin	-	428,702,267	(1,838,797)	-	50,571,131	477,434,601

4.6 Operational risk

Is the risk of potential losses, direct or indirect, related to the entity's process, human resources, technology, infrastructure and other external factors that are not related to credit, market or liquidity risks, such as those arising from legal and regulatory requirements and from the behavior of generally accepted corporate standards.

The Company's objective is to manage operational risk in other to avoid financial losses and damages to the entity's reputation.

4.7 Capital risk management

The main objectives of the Company when managing capital is to maintain its ability to continue as an ongoing business to generate returns to the shareholders and to maintain an optimal capital structure to reduce the costs of raising capital. To maintain an optimal capital structure, factors such as: amount of dividends payable, return of capital to shareholders or issuance of shares, are taken into consideration. In addition, compliance with the minimum capital established by the Superintendency of Insurance and Reinsurance of Panama is assured, which sets a minimum of US$1,000,000 for insurance and reinsurance companies. Regarding regulations of the International Insurance Act of the Republic of Belize is set at a minimum of US$50,000 for insurance and reinsurance companies, as well as for the Financial Service Commission of Barbados, which set a minimum of US$250,000 for companies with reinsurance license.

4.8 Currency risk

The Company is exposed to the effects of fluctuating changes in currency rates. The Company has exposure limits for currency rates, which are reviewed on a daily basis. Below are details of the currency positions:

	EURO	USD	Total
2017			
Assets			
Cash and deposits in bank	65,373	20,472,852	20,538,225
Deposits in ceding companies	-	30,404,646	30,404,646
Securities available for sale	-	459,053,369	459,053,369
Premiums receivable	-	26,592,863	26,592,863
Accounts receivable - retrocessions	-	17,357,602	17,357,602
Total financial assets	65,373	553,881,332	553,946,705
Liabilities			
Loan payable	-	720,752	720,752
Total financial liabilities	-	720,752	720,752

	EURO	USD	Total
2016			
Assets			
Cash and deposits in banks	65,373	50,505,758	50,571,131
Securities available for sale	-	418,921,072	418,921,072
Premiums receivable	-	7,976,362	7,976,362
Accounts receivable - retrocessions	-	1,804,833	1,804,833
Total financial assets	65,373	479,208,025	479,273,398
Liabilities			
Loan payable	-	817,297	817,297
Repurchase agreement	-	1,021,500	1,021,500
Total financial liabilities	-	1,838,797	1,838,797

5. Accounting estimates and critical judgments

The Company makes estimates and judgments that affect the reported amounts of the assets and liabilities within the following fiscal year. Estimates and judgments are continually evaluated based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. These estimates are subjective by nature, involve uncertainty and critical elements and therefore, cannot be determined with exactitude. The changes in the assumptions or criteria can significantly affect the estimations.

- *Demand and time deposits* - For these financial instruments, the carrying value approximates the fair value, due to its short-term nature.

- *Uncollectible premiums provision* - The Company estimates a provision for possible losses due to premiums and accounts that may be uncollectible. The Company performs an annual evaluation of the possibilities of recovery of the balances in concept of premiums and accounts receivable on individual bases. The estimated amount for possible losses for premiums receivable considered as uncollectible is realized net of the charges inherent to its subscription.

- *Securities available for sale* - For these securities, the fair value is based on market price quoted or quotes from brokers and dealers. If a reliable quoted market price is not available, the fair value of the instrument is estimated using pricing models or techniques of discounted cash flows.

- *Furniture, equipment and improvements* - the Company carries out periodic evaluations to determine the estimate of the useful life of the furniture, equipment and improvements.

These estimates were made with the information available as at December 31, 2017 on annualized events and it is possible that future events may require modifying them (increase or decrease) in the coming years.

6. Subsidiary assigned to other entity

As of February 15, 2016, Barents Re Reinsurance Company, Inc., according to the minutes of Shareholders' Meeting, decides to cede 100% of the shares of its subsidiary Barents Re Reinsurance Company, Inc., (Barbados). No cash received from this assignment, however, a write-off of related receivables was made.

As a result of this cession, the assets, liabilities and capital as follows:

Consideration received:	
Accounts receivable eliminations	51,076
Assets analysis for subsidiary cession	
Assets	
Deposits in banks	183,246
Accounts receivable	51,076
Total net assets	234,322
Net effect on assignment of subsidiary	
Accounts receivable waiver	(51,076)
Net assets	234,322
Investment in associate	(318,703)
Retainded earnings	135,457
Net effect in subsidiary cession	-

7. Balances and transactions with related parties

Balances and transactions with related parties included in the consolidated statement of financial position and consolidated statement of profit or loss are summarized below:

	2017	2016
Balances with related parties		
Assets		
Securities available for sale	3,200,000	3,200,000
Investment in associate	5,741,605	6,625,533
Premiums receivable	-	13,209,631
Notes receivable	3,513,846	2,733,846
Accounts receivable	11,923,563	8,566,428
Liabilities		
Accounts payable	1,176,374	174,343
Transactions with related parties		
Interest income	95,692	141,152
Uncollectable accounts	297,889	-
Key executives salaries	360,714	368,736

At December 31, 2017, the Company acquired US$3,513,846 (2016: US$2,733,846) relating to certificates of investment issued by the related company Standard Capital Shareholding Inc., (B.V.I), which accrued interest at an annual rate of 2.5% (2016: 2.5%) with a maturity of one year.

The Company is part of a group of related companies which have significant transactions among them.

Accounts receivable and payable with related companies do not have a schedule repayment date, maturity date nor do they accrue interests.

The Company maintained premiums receivable from Montgomery Moore Re, Ltd. for an amount of US$13,209,631, which were paid in full as of December 31, 2017.

As of December 31, 2017, according to the analysis of the accounts receivable among related companies, the Company considered making an adjustment of uncollectible accounts in the amount of US$297,889.

8. Cash and bank deposits

Deposits in banks are detailed below:

	2017	2016
Demand deposits - domestic	2,779,772	2,717,049
Time deposits - domestic	2,156,873	2,000,000
Demand deposits - foreign	15,601,580	45,854,082
Total	20,538,225	50,571,131
Less:		
Time deposits at original maturity greater than 90 days	2,155,196	2,000,000
Cash and cash equivalents for consolidated cash flow purpose	18,383,029	48,571,131

As of December 31, 2017, time deposits accrued an interest rate of 0.50%, at maturity on January 2018 renewed at January 2019 (2016: 4.5%, maturing in January 2017 not renewed).

9. Net premium receivable

Premiums receivable are summarized as follows:

	2017	2016	January 1, 2016
Barents R.M., Inc.	30,220,536	7,976,362	7,344,729
Less: Uncollectible premium provision	(3,627,673)	-	-
Net premium receivable	26,592,863	7,976,362	7,344,729

The Company has no direct control over Barents R.M., Inc. which is therefore not considered a related party. The balance corresponds to the normal business activity of generating risk policies in the market.

Aging of accounts receivable matured but not uncollectible

	2017	2016	January 1, 2016
Current	-	-	-
61-90 days	-	-	-
More than 90 days	26,592,863	7,976,362	7,344,729
Total	26,592,863	7,976,362	7,344,729

Provision movement for uncollectible premiums

	2017	2016
Balance at beginning of the year	-	-
Provision increase	3,627,673	-
Balance at end of year	3,627,673	-

10. Deposits with ceding companies

As of December 31, 2017, the Company made a deposit of US$30,404,646 in accordance with a reinsurance contract with a transfer company licensed in Europe, with a term of one year and without interest. This deposit has been posted to the Company within the assets as a deposit in ceding companies.

11. Securities available for sale

The securities available for sale are summarized as follows:

	2017	2016
Listed securities (at fair value):		
Governments bonds - foreign	372,551,561	333,187,469
Corporates	83,301,808	82,533,603
	455,853,369	415,721,072
Unlisted securities (at cost):		
Corporates	3,200,000	3,200,000
	459,053,369	418,921,072

The annual interest rate earned by securities available for sale ranged from 0.78% to 5.63% with one year maturity (2016: 0.813% to 12.74% with maturities up to one year).

The movement of securities available for sale is summarized below:

	2017	2016
Balance at beginning of year	418,921,072	372,439,768
Additions	387,263,105	470,704,446
Sales	(349,943,683)	(426,546,030)
Gain transferred to income	(3,818,396)	(8,372,235)
Change in fair vaue	6,631,271	10,695,122
Balance at year end	459,053,369	418,921,071

During 2017, the Company sold securities available for sale for a total of US$349,943,683 (2016: US$426,546,030), during 2017, these sales generated a net profit of US$3,818,396 (2016: US$8,372,235).

12. Property, furniture, equipment and improvements

Property, furniture, equipment and improvements are summarized below:

2017	**Improvements**	**Building**	**Office equipment**	**Computer equipment**	**Balance**
Cost					
Balance at the beginning of the year	1,924,030	2,200,433	777,831	233,401	5,135,695
Additions	-	-	10,802	20,167	30,969
Balance at end of the year	1,924,030	2,200,433	788,633	253,568	5,166,664
Accumulated depreciation and amortization					
Balance at the beginning of the year	208,780	235,132	293,292	152,538	889,742
Expense for the year	64,134	73,348	76,685	35,247	249,414
Balance at end of the year	272,914	308,480	369,977	187,785	1,139,156
Net balance	1,651,116	1,891,953	418,656	65,783	4,027,508
2016					
Cost					
Balance at the beginning of the year	1,924,030	2,200,433	745,627	214,036	5,084,126
Additions	-	-	32,204	19,365	51,569
Balance at end of the year	1,924,030	2,200,433	777,831	233,401	5,135,695
Accumulated depreciation and amortization					
Balance at the beginning of the year	144,646	161,784	213,946	97,869	618,245
Expense for the year	64,134	73,348	79,346	54,669	271,497
Balance at end of the year	208,780	235,132	293,292	152,538	889,742
Net balance	1,715,250	1,965,301	484,539	80,863	4,245,953

During 2013, the Company signed a purchase agreement for the acquisition of new headquarters offices. The agreed sale price was US$1,800,000 for offices and US$12,000 for the deposit. The Company maintains a loan with a bank in the amount of US$720,752 maturing in October 2018 and annual interest rate of 6.25%.

13. Investment in associate

On February 28, 2014, the Company acquired 2,041,723,822 shares in Nacional de Seguros, S.A. an organized and existing corporation under the laws of the Republic of Colombia, for US$6,625,533, representing 77% of the outstanding shares at that date. The Company has since disposed of 272,417,800 shares, so at the end of the 2017 period it maintains a total of 1,769,306,022 shares valued at US$5,741,605.

A summary of the statement of financial position and the statement of profit or loss as of December 31, 2017 is detailed as follows:

Consolidated statement of financial position:

	2017	**2016**
Asset	41,456,209	32,991,178
Liability	31,767,298	23,740,243
Equity	9,688,911	9,250,935
Total liability and equity	41,456,209	32,991,178

Consolidated statement of profits or losses:

Income for premiums:	**2017**	**2016**
Total earned premium	682,487	464,391
Liquidated and recovered claims	1,870,358	691,635
Earned commissions	4,353,459	4,643,729
Net cost	(4,433,409)	(3,739,730)
General and administrative expenses	(2,708,120)	(2,838,712)
Technical result	(235,225)	(778,687)
Total other income, net	889,791	874,656
Income before income tax	654,566	95,969
Income tax	(84,706)	(159,168)
Deferred tax	(183,689)	288,023
Net income	386,171	224,824

According to the Minutes of the Shareholders Assembly dated December 19, 2014, the sale of the totality of share capital in Nacional de Seguros, S.A. was approved, a corporation organized and existing under the laws of the Republic of Colombia. At the date of the consolidated financial statements, we are in the process of obtaining sale authorization from the Financial Superintendency of Colombia. The Company has no control over Nacional de Seguros, S.A.

14. Other assets

The account of other assets is as follows:

	2017	2016
Warehouse and offices	3,183,239	2,795,817
Unrealized commissions	3,459,778	530,133
License advance	1,997,019	445,120
Interests receivable	214,847	138,966
Prepaid tax	214,393	158,824
Prepaid expenses	49,224	37,806
Construction in progress	13,577	13,500
Others	183,015	182,318
	9,315,092	4,302,484

At December 31, 2017, the Company has invested US$2,191,250 (2016: US$1,095,000) in offices located in Costa del Este.

At December 31, 2017, the Company has made payments for licensing procedures for an insurance company in Mexico, in the process of incorporation.

15. Technical premiums reserve and uncollectable premium reserve

Premiums reserve are accrued on a basis of 35% on the net premium subscribed or retained, in the twelve months preceding the date of the consolidated statement of financial position in all coverages except the transport of goods and collective life. Adjustments to the reserve are recorded in the consolidated statement of profit or loss, at each reporting date of the consolidated financial statements.

The technical reserves for premiums are based on an actuarial valuation dated October 3, 2018, that concluded that the total reserve for the Company is US$25,501,908 (2016: US$22,370,084).

The unearned premium reserve in progress is calculated using the daily pro rata method, in which the subscribed premium is considered proportional to the validity indicated on the invoice, so the amount of the liability is calculated taking into account the proportion of the risk not incurred on each invoice to the valuation date. At December 31, 2017, the unearned premium reserve is US$7,048,458 (2016: US$0).

Movement of the technical premiums reserve is presented below:

	2017	**2016**
Balance at beginning of year	21,304,824	23,109,932
Decrease	(2,851,374)	(739,848)
Technical premiums reserve	18,453,450	22,370,084
Unearned premiums reserve	7,048,458	-
Balance at end of year	25,501,908	22,370,084

16. Contingencies reserve

The reserve for contingencies is made based on an actuarial study, which concluded that total reserves amount to US$59,374,311 (2016: US$70,607,715) based on the loss ratio assumed by the Company. Based on the provisions of the Panama Insurance and Reinsurance Law, 35% of the net premium retained as a technical reserve on premiums was determined. The remainder of US$40,920,861 (2016: US$49,302,891) is accumulated in the contingency reserve.

Claims outstanding include losses arising from the reinsurance business and loss expenses paid during the year together with the movement in the provision for claims in process. The claims outstanding are made up of the accumulation of the final costs to settle all the reported and incurred losses at the date of the statement of financial position. At December 31, 2017, the reserve of pending claims is US$50,425,116 (2016: US$3,436,121).

The reserve of claims incurred, but not reported (IBNR), is calculated according to actuarial formulas recognized worldwide.

The Company considers that the gross provisions for claims in process are reasonably presented based on the information that is available, the final liability could vary as a result of subsequent information and could result in significant adjustments to the amounts provisioned. At December 31, 2017, the reserve for claims incurred but not reported is US$4,166,608 (2016: US$ 0).

The movement of the technical premiums reserve is presented below:

	2017	2016	January 1, 2016
Contingencie reserve:			
Balance at beginning of year	49,302,891	44,501,307	51,456,307
Increase (decrease)	(8,382,030)	4,801,584	(6,955,000)
Balance at end of the year	40,920,861	49,302,891	44,501,307
Reserve for claims in process:			
Balance at beginning of year	3,436,121	5,587,108	-
Claims paid	(3,436,121)	(5,587,108)	-
Increase	50,425,116	3,436,121	5,587,108
Balance at end of the year	50,425,116	3,436,121	5,587,108
Provision reserve IBNR:			
Increase and balance at end of the year	4,166,608	-	-
Total liability reserve	54,591,724	3,436,121	5,587,108
Reclassification of claims reserve in process	(30,404,649)	-	-
Increase in claims reserve in process	20,750,954	3,436,121	5,587,108

17. Accounts receivable - retrocessions

Accounts receivables - retrocessions are detailed below:

	2017	2016
Accounts receivable - retrocessions	17,357,602	1,804,833
	17,357,602	1,804,833

Accounts receivable – retrocessions are generated by premium assumed during the current period corresponding to the coverage of the commitments on reinsurers.

18. Loans payable

The Company maintains loans with a bank for US$720,752 (2016: US$817,297) with maturity on October 2018 and an annual interest rate of 6.25%.

The short and long-term obligations are as follow:

	2017	**2016**
Short tearm loan	720,752	145,560
Long tearm loan	-	671,737
	720,752	817,297

The Company maintains a collateral trust agreement established on property to secure the payment of this obligation to the bank.

19. Repurchase agreement

At December 31, 2017, there were no obligations for securities acquired under repurchase agreement, At December 31, 2016 the amount was for US$1,021,500 guaranteed by investments, at an average interest rate of 4.80% with a maturity date tied to the end of portfolio of investments available for sale that guarantees this credit.

20. Accounts payable and accrued expenses

The accumulated accounts and expenses payable are as follows:

	2017	**2016**
Reinsurers accounts payable	3,642,784	9,150,323
Suppliers accounts payable	20,391	35,962
Withholdings payable	8,102	11,823
Other accounts payable	1,112,844	1,600,956
	4,784,121	10,799,064

21. Other expenses

The other expenses account is summarized below:

	2017	2016
Uncollectable accounts (See Note 7)	297,889	-
Expenditure abroad	68,448	184,837
Promotion and advertising announcement	20,356	106,483
Transportation and courriers	12,025	14,776
Others	419,569	266,144
	818,287	572,240

22. Non - controlling interest

Non-controlling interest represents the participation of other shareholders in the following subsidiary:

	% of non - controlling interest		2017	2016
	2017	2016		
Barents Re Reinsurance S.A. (Luxemburgo)	49%	49%	16,481,895	12,912,725

Movement of non-controlling interest is detailed as follows:

	2017	2016
Issuance of shares	17,083,262	12,826,324
Profit participation	(601,367)	86,401
	16,481,895	12,912,725

The capital increase participation as the increase and / or decrease in the profit was proportional that does not change the percentage of the participation in the capital.

23. Common shares

The capital is composed of 100,000 shares with no par value for US$305,780,295 (2016: US$301,893,501).

As stated in the Minute dated August 11, 2016, Barents Re Reinsurance Company, Inc. (Panama) shareholders, acquired 51% of the shares of Barents Re Reinsurance S.A. (Luxembourg), where they made a capital contribution in the amount of US$13,439,775. At December 31, 2017, the Company made an additional capital contribution of US$4,340,763.

24. Income tax

Income tax returns of the companies incorporated in the Republic of Panama are subject to revision by the local tax authorities for the last three years, including the year ended December 31, 2017, according to current fiscal regulations.

According to current Panamanian tax legislation, companies are exempt from payment of income tax on profits derived from foreign operations, interest earned on time deposits placed in local banks, interest earned on Panamanian Government securities and securities issued through the Superintendency of Securities Exchange of Panama.

The subsidiary Barents Re Reinsurance Company, Ltd. (Belize) are not subject to pay income tax in their respective jurisdictions, due to the nature of its foreign operations. However, the income tax arising on operations that generate taxable income in other jurisdictions is classified within income tax expense.

Retroactively from January 1, 2011, the effective date of Law No.8 of 15 March 2010, Article 699 of the Fiscal Code of Panama indicates that corporates must pay income tax calculated on the greater of: (1) net taxable income calculated by the traditional method set out in Title I of Book IV of the Fiscal Code, or (2) the net taxable income resulting from applying to total taxable income four point sixty-seven percent (4.67%).

For the year ended December 31, 2017, the companies, Barents Re Reinsurance Company, Inc. (Panama), generated income tax of US$3,143 (2016: US$317) and Barents Reinsurance S.A. (Luxembourg) generated income tax of US$231,177 (2016: 6,901).

	2017	2016
Barents Re Reinsurance Company, Inc (Panamá) taxable income	12,572	1,266
Current income tax 25%	3,143	317
Barents Reinsurance, S. A. (Luxemburgo) taxes	231,177	6,901
	234,320	7,218

25. First time adoption of International Financial Reporting Standards

The Company prepared and presented its financial statements until December 31, 2016 complying with the accounting practices for reinsurance companies accepted in the Republic of Panama. The financial statements as of December 31, 2017 are the first financial statements prepared in accordance with IFRS to be adopted in accordance with international financial reporting standards.

The Company has prepared its consolidated financial statements in compliance with the applicable IFRS or that allow early application for the periods ended December 31, 2017 and comparative information as of December 31, 2016, as described in the numeral of accounting policies. In the preparation of these financial statements, the statement of financial position has been prepared with date of January 1, 2016, which is the date of transition to the Company's IFRS.

The general principle of IFRS 1 First Time Adoption is that a first-time adopter must prepare its first financial statements under IFRS, as if it had always applied those standards retrospectively.

The following note explains the adjustments made by the Company in the restatement of financial statements prepared under accounting practices for reinsurance companies, accepted in the Republic of Panama.

25.1 Effect of IFRS adoption on the consolidated statement of financial position:

		January 1, 2016			December 31, 2016		
	Ref	Previous GAAP	Effect of transitions to IFRS	Consolidated statement of initial financial position IFRS	Previous GAAP	Effect of transition to IFRS	IFRS
Assets (1)		452,643,808	-	452,643,808	514,384,747	-	514,384,747
Premiums receivable	(a)	-	7,344,729	7,344,729	-	7,976,362	7,976,362
Total assets		452,643,808	7,344,729	459,988,537	514,384,747	7,976,362	522,361,109
Liabilities (2)		70,462,993	-	70,462,993	84,485,179	-	84,485,179
Reserve of claims in process			5,587,108	5,587,108	15,746	3,420,375	3,436,121
Total liabilities		70,462,993	5,587,108	76,050,101	84,500,925	3,420,375	87,921,300
Equity							
Common shares		288,772,429	-	288,772,429	301,893,501	-	301,893,501
Net changes in securities available for sale		(2,237,297)	-	(2,237,297)	85,590	-	85,590
Legal reserve		155,827	-	155,827	155,827	-	155,827
Retained earnings		95,489,856	1,757,621	97,247,477	114,836,179	4,555,987	119,392,166
Total controlling participation		382,180,815	1,757,621	383,938,436	416,971,097	4,555,987	421,527,084
Non - controlling participation		-	-	-	12,912,725	-	12,912,725
Total equity		382,180,815	1,757,621	383,938,436	429,883,822	4,555,987	434,439,809
Total liabilities and equity		452,643,808	7,344,729	459,988,537	514,384,747	7,976,362	522,361,109

(1) Includes the sum of assets that did not have effect in the transition to IFRS
(2) Includes the sum of liabilities that did not have effect in the transition to IFRS

25.2 Conciliation of equity

	January 1, 2016	December 31, 2016
Total equity as previous GAAP	382,180,815	416,971,097
Premium receivable effect	7,344,729	7,976,362
Claims in process	(5,587,108)	(3,420,375)
Total adjustment on equity	1,757,621	4,555,987
Total equity as per IFRS	383,938,436	421,527,084

25.3 Effect of IFRS adoption on the consolidated statement of comprehensive income for the year ended December 31, 2016

		December 31, 2016		
	Ref	Previous GAAP	Effect on IFRS transition	IFRS
Net income for premiums				
Subscribed premiums	(a)	190,372,497	7,976,362	198,348,859
Retroceded premiums		(128,770,613)	-	(128,770,613)
Total net premiums withheld		61,601,884	7,976,362	69,578,246
Decrease in technical reserve on premiums	(b)			
and reserve of unearned premiums		(739,848)	-	(739,848)
Decrease (increase) reserve for contingencies		4,801,584	-	4,801,584
Increase reserve of claims in process		15,746	3,420,375	3,436,121
Claims paid		39,906,934	-	39,906,934
Total de primas devengadas		17,617,468	3,420,375	22,173,455
Other incomes		6,322,742		6,322,742
Total general and administrative expenses		4,545,797		4,545,797
Income before income tax		19,394,413		23,950,400
Income tax		(7,218)		(7,218)
Net income		19,387,195		23,943,182
Net income attributable to:				
Attributable to owners of the Company		19,300,794		23,856,781
Non - controlling participation		86,401		86,401
Net income		19,387,195		23,943,182
Comprehensive income:				
Net change in securities available for sale		2,322,887	-	2,322,887
Total comprehensive income		21,710,082	4,555,987	26,266,069

25.4 Conciliation of profits or losses

	Year ended December 31, 2016	
	Income before tax	Income of the year
Previous GAAP	19,394,413	19,387,195
Effect of premiums subscribed	7,976,362	7,976,362
Increase in reserve of claims in process	(3,420,375)	(3,420,375)
Gain according to IFRS	23,950,400	23,943,182
Other comprehensive income	2,322,887	2,322,887
Total comprehensive income according to IFRS	26,273,287	26,266,069

25.5 There were no effects reported in the consolidated statement of cash flows

Notes for the reconciliation of equity at the transition date of January 1, 2016 and the effects on income as of December 31, 2016

1. Premiums receivable

Transition effect at January 1, 2016

a. Premiums receivable are recorded for an amount of US$7,344,729 to recognize under the accrual method income from premiums written during the 2015 period and collected during the 2016 period.

Transition effect at December 31, 2016

b. Income from premiums written in the amount of US$7,976,362 is recognized in order to recognize under the accrual method premium income subscribed during the 2016 period and collected during the 2017 period.

2. Contingencies reserve

Transition effect at January 1, 2016

c. Provision for pending claim for US$5,587,108, to be used for payments of claims incurred during the 2015 period and paid during 2016.

Transition effect at December 31, 2016

b. The provision reversal of US$5,587,108 used as payment of pending claims corresponding to the 2015 period is recognized. Additionally, the provision of pending claim of US$3,420,375 is constituted to be used for payment of the losses generated during the period 2016 and paid during the year 2017.

26. Subsequent events

On May 4, 2018, the Company transferred its property P.H. Torre Delta floor 20, located on Via España Calle Elvira Méndez, in favor of the company Herlin, S. A.

According to the Minutes of the Shareholders' meeting dated March 23, 2018, the sale of 28% of the shares of Nacional de Seguros S.A. corresponding to 743,264,587 shares was approved. To date, the Company has a balance of 1,298,459,235 shares, representing 49% as of that date. The Company has no control over Nacional de Seguros, S.A.

27. Approval of financial statements

The consolidated financial statements for the year ended December 31, 2017 were approved and issuance was authorized by the Board of Directors on October 26, 2018.

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