BARENTS RE

2015 ANNUAL REPORT

THE WORLD'S NICHE REINSURER

BARENTS RE REINSURANCE COMPANY

BARENTS RE AT A GLANCE

Barents Re is a leading independent reinsurance group. Established in 1996, Barents Re has a well-established presence in Europe, the Middle East, Latin America, Asia and Africa. This translates into more than 600 reinsurance connections in 70 countries.

The company provides a wide range of niche and specialty reinsurance products to property and casualty insurers. Our vision is for Barents Re to become an integral part of the insurance value chain. The expertise of our specialty underwriting teams and their knowledge of our markets and products enables us to offer innovative solutions to our clients.

Barents Re does not participate in every type of business because underwriting discipline is fundamental to its success. On the commercial side, Barents Re is especially strong in Surety Bonds, Energy, General Aviation, Property Facultative, Financial Lines, Commercial D&O and Accident & Health. The company selectively provides treaty support in key business areas. Barents Re is also a growing presence in the Consumer arena with participation in a number of Affinity programmes. The Barents Re portfolio is exemplified by low severity risk.

Barents Re seeks to create value for shareholders by generating an underwriting profit. To achieve this, the company allocates capital in line with risk exposure and potential underwriting returns. This is crucial to maintaining its strong financial position and supporting its business expansion. Barents Re's investment strategy is focused on high grade bonds tailored to underlying insurance liabilities, with an allocation to alternative investments.

Barents Re is committed to providing the highest level of service to its clients and brokers, which it believes is critical to its ability to build and maintain long-term relationships and ensure its continued success.

TIMELINE

1996

Barents Re starts operating.

2009

Creation of a joint venture underwriting and risk analysis office in Miami, Florida.

2010

Rated by A.M. Best with Financial Strength Rating of A-(Excellent).

Latin America and European expansion began.

2011

New offices in Miami, Paris and Beirut.

High excess property line of business implementation.

2012

Continued expansion throughout Latin America, Europe and MENA.

Rome office starts operations focused on Bonds.

A.M. Best upgrades Outlook to Positive: A- (Excellent) rating.

2013

New offices opened in Madrid and London (at Lloyd's building).

New specialized Energy line of business.

Best reinsurance company of Central America award given by Reactions Magazine.

U.S.$100 million capital infusion to support international expansion.

2014

Moscow office began operations as a regional hub for Eastern Europe.

Reinsurer of the year award given by The European Magazine.

World Finance 100 award.

2015

Granted licence to create Luxembourg based subsidiary company.

A.M. Best upgrades outlook to Stable: A (Excellent) rating.

2016

We celebrate our 20th anniversary

MESSAGE FROM THE PRESIDENT

CHIEF EXECUTIVE OFFICER

On the eve of our twentieth anniversary, I am delighted to announce that Barents Re delivered another strong set of financial results in 2015. We generated a net profit of USD34.8 million, up from USD34.6 million in 2014, which went to retained earnings, thereby strengthening further our financial security. In a similar vein, our total assets increased to USD453 million (2014: USD432 million) and shareholders' equity increased to USD382 million (2014: USD350 million).

We improved therefore our position in all of the key financial performance indicators. These were excellent results especially in light of the sluggish economic growth and political uncertainty in many of our markets, coupled with a competitive pricing environment for many of our core products.

In addition to our excellent financial performance last year, A.M. Best upgraded Barents Re to 'A' with a Stable Outlook in September 2015. We were delighted with the upgrade as we felt it was a justified validation of all our work to make our business the success it is today. To complete an outstanding year, in December 2015 we obtained regulatory approval from the Luxembourg insurance regulator to establish Barents Reinsurance S.A. Going forward, our Luxembourg based subsidiary company will be the vehicle to manage our international expansion.

Geographically, much of Barents Re's activity is focused on emerging markets. This is part of our DNA. The growth in insurance premiums in many countries fueled by economic fundamentals, favorable demographics and the introduction or enforcement of compulsory insurance is most encouraging. While insurance penetration is still low in many countries, it is on the rise and we expect Barents Re to benefit in the coming years.

The successful execution of our expansion strategy with its focus on specialty lines of business is key to our progress. Our entrepreneurial culture, coupled with an experienced management team, allows us to identify and quickly respond to opportunities.

We see growth potential in existing countries and new territories such as Africa and Asia. We have also made plans to increase the number of underwriters we have, as well as the resources we have in place for loss prevention and claims management. Overall, we are working to reinforce, develop and enhance our core aims in specific markets, so that we continue to provide superior service and financial results.

I am very proud of the company we have built over the last two decades. Not only has Barents Re delivered consistent financial results, it has also built a reputation as a leading specialty and niche reinsurer. This is the result of a clear strategy, supported by deep client relationships, an embedded underwriting culture, and most importantly, a team of very talented professionals.

I would like to thank my colleagues at Barents Re for all their efforts and our business partners for their continuing support. I look forward to working with you all in the year ahead.

Gerardo Garcia
President & CEO

GLOBAL PRESENCE

PRESENCE IN 4 CONTINENTS & 70 COUNTRIES

PANAMA

MIAMI (**)

PARIS (*) (**)

LUXEMBOURG (***)

BEIRUT (*) (**)

LONDON (**)

ABIDJAN (**)

MADRID (**)

MOSCOW (*)

ROME (**)

MILAN (**)

* Representative office / branch
** Barents Risk Management network
*** Subsidiary

UNDERWRITING REVIEW

SUMMARY 2015

Barents Re produced a positive underwriting result.

Barents Re's underwriting philosophy is focused on net profitability and a highly disciplined approach to specific business lines. Barents Re is not a market share underwriter or a premium base reinsurer.

Barents Re's underwriting culture is based on market expertise across specialized product lines. The company seeks to balance frequency and security across its portfolio and to produce better than market average loss ratio results.

In 2015, Barents Re achieved a gross written premium result of USD220.5 million, which was flat compared to 2014, and maintained its history of exceptional underwriting results, adding further to the strength of its balance sheet. Operating expenses reduced slightly compared to the previous year. The overall impact was evidenced by increased net profits of USD34.8 million, retained earnings of USD95.4 million and an increase in shareholders' equity to USD382.1 million.

In addition to the A.M. Best upgrade and the granting of the license for our Luxembourg based subsidiary company, other news in 2015 included the commencement of underwriting in Financial Institutions, Commercial D&O and General Aviation business. Progress to date has been in line with expectations.

KEY FINANCIAL & OPERATIONAL RESULTS

GROWTH IN SHAREHOLDERS' EQUITY

2015 USD 382,180,815

2014 USD 349,571,474

2013 USD 272,854,058

40%

GROWTH since 2013

Barents Re delivered yet again, positive underwriting results.

FINANCIAL HIGHLIGHTS

RESULTS	2013	2014	2015
Written Premium	213,165,563	220,066,816	220,502,471
Retained Premiums	73,455,571	79,732,032	66,028,378
Net Claims	28,034,517	33,794,374	42,002,007
Net Income	31,040,342	34,642,561	34,883,584
BALANCE SHEET			
Total Assets	348,729,538	431,712,909	452,643,808
Total Equity	78%	81%	84.4%
Total Reserve	25,709,450	27,906,211	23,109,932
Technical Reserve	68,243,258	79,362,518	67,611,239
RATIOS			
Loss Ratio	38.17%	42.38%	63.61%
Expense ratio	5.90%	5.00%	5.1%
Combined Ratio	44.03%	47.37%	68.71%
Net Profit Margin	42%	43%	52.83%

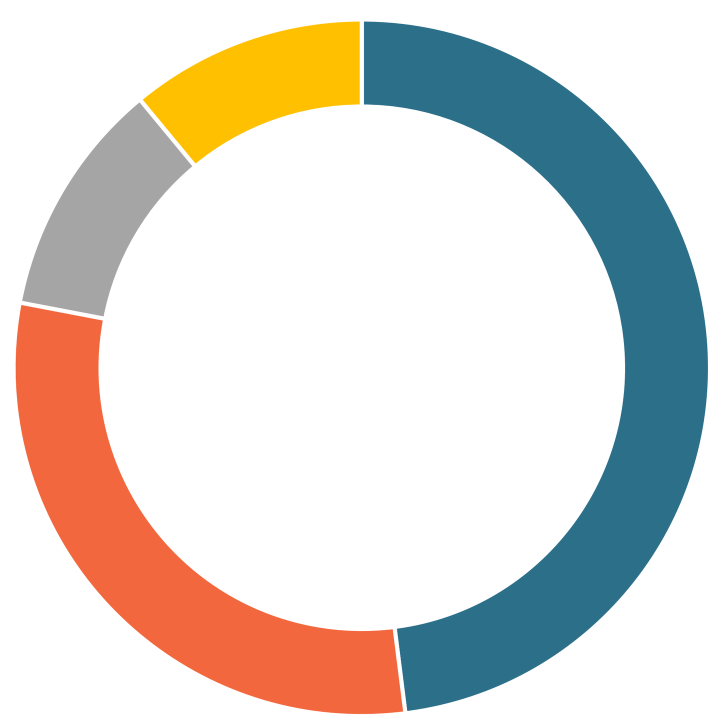
BREAKDOWN BY REGION

EUROPE 48%

LATAM 30%

MENA 11%

ASIA 11%



GLOBAL STRATEGY

Organic premium growth & geographic diversification; focus on uncorrelated low exposure catastrophe territories & specialty products.

Underwriting discipline & controls, reinforced by pricing models & risk modelling tools.

Recruitment of top quality personnel internationally; people are our key advantage.

Stable capacity, offering tailor made products in each of its territories.

Global view, coupled with local market knowledge & access.

BOARD OF DIRECTORS

Dirk Bormann - Director

Dirk Bormann has wide experience in the construction sector and has served on the board of directors of Philipp Holzmann AG, Hochtief AG and Wayss & Freytag. He is Chief Executive Officer of the German Federal Association for Economic Development and Foreign Trade.

Gerardo Garcia - President & CEO

Gerardo Garcia has over 20 years' experience in insurance and reinsurance. Prior to joining Barents Re, he was an advisor to insurance companies and reinsurance brokerage firms throughout Latin America. He has an actuarial background.

Juan Manuel Urquijo - Marquis Of Urquijo & Loriana - Director

Juan Manuel Urquijo is an international businessman and company director. He served on the boards of Urquijo Leasing S.A. and Banvivienda Bank for many years. He was also a director of Mundial Insurance Group in Central America for 20 years, until it was sold to Mapfre Central America.

Klaus Bultmann - Chairman

Klaus Bultmann has more than 40 years' experience. Previously, he was a member of the board of Gerling Global Reinsurance and Frankona Re.

Ricardo Cazorla - Treasurer

Ricardo Cazorla is a banker. Previously, he was Vice President at the Chase Manhattan Bank NA in Panama.

Robert Koffler - Director

Mr. Koffler has 30 years of experience in global capital markets, and since 1999 has been the Chairman and Chief Executive of BiscayneAmericas Advisers LLC in Miami, Florida. Prior to joining BiscayneAmericas, he was the President and Director of Americas Trust Bank, Director and Executive Vice President of Vestrust Securities Inc.

Roberto Alfaro - Director

Roberto Alfaro's career encompasses finance, politics and diplomacy. Previously, he was President of Union Group and Compañia de Seguros. Mr. Alfaro has also served as Panama's Minister of Commerce and Ambassador to the United Nations, Italy and the Vatican. Currently, he is associated with Interglobal Consulting.

Roberto Brenes - Secretary

With more than 30 years of experience in the financial market, Mr. Brenes has an extended career in the capital market in Panama, combining business and regulatory experience. He was the first President of the National Securities Commission, President of the Panama National Bank and Founder of the Panama Stock Exchange.

CONSOLIDATED FINANCIAL STATEMENTS

(FREE ENGLISH LANGUAGE TRANSLATION FROM SPANISH VERSION)

Barents Re Reinsurance Company, Inc. and Subsidiary

Consolidated Financial Statements for the year ended December 31, 2015 and Independent Auditors' Report of June 10, 2016

Barents Re Reinsurance Company, Inc. and Subsidiary

Independent Auditors’ Report and
2015 Consolidated Financial Statements

Content **Pages**

(Free English Language Translation of Spanish Version)

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of **Barents Re Reinsurance Company, Inc. and Subsidiary** which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year ended, and a summary of significant accounting policies applied and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting requirements of the insurance industry in the Republic of Panama established by the Superintendency of Insurance and Reinsurance of Panama for monitoring purposes and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements, that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of **Barents Re Reinsurance Company, Inc. and Subsidiary** at December 31, 2014, and the results of its operations and cash flows for the year ended, in accordance with accounting requirements of the Superintendency of Insurance and Reinsurance of Panama for monitoring purposes, as described in Note 2 of these consolidated financial statements.

Emphasis of Matter

We draw the attention to Note 10 which discloses that the Company has a temporary investment in an associate company recorded at cost. Our opinion is not modified with respect to this matter.

The accompanying financial statements have been translated from Spanish into English for the convenience of readers outside of the Republic of Panama.

(Signed) Deloitte

June 10, 2016
Panama, Republic of Panama

Barents Re Reinsurance Company, Inc. and Subsidiary

Consolidated statement of financial position
December 31, 2015
(In United States of America dollars)

	Notes	2015	2014
Assets			
Deposits in banks	6	26,324,405	51,240,284
Premiums receivable	7	20,059,631	7,338,115
Securities available for sale	8	372,439,768	340,740,005
Investment in associate	5 , 10	6,625,533	6,625,533
Notes receivable - related parties	5	9,408,000	8,128,000
Accounts receivable - related parties	5	5,864,008	5,658,638
Accounts receivable - shareholder	5	19,707	29,027
Interests receivable		531,726	371,202
Other accounts receivable		1,590,820	2,193,634
Property, furniture, equipment and improvements, net	9	4,465,881	4,688,034
Other assets	11	5,314,329	4,700,437
Total assets		452,643,808	431,712,909
Liabilities and shareholder's equity			
Liabilities			
Technical reserve for premiums	12	23,109,932	27,906,211
Claims reserve	13	44,501,307	51,456,307
Account playable - related parties	5	19,583	1,314,450
Accounts payable		395,452	455,279
Loan payable	14	2,162,052	992,866
Others payable		262,001	6,488
Accrued expenses		12,666	9,834
Total liabilities		70,462,993	82,141,435
Shareholder's equity:			
Common shares	16	288,772,429	288,772,429
Changes in securities available for sale		(2,237,297)	36,946
Legal reserve		155,827	155,827
Retained earnings		95,489,856	60,606,272
Total shareholder's equity		382,180,815	349,571,474
Total liabilities and shareholder's equity		452,643,808	431,712,909

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, 2015
(In United States of America dollars)

	Notas	2015	2014
Net income from premiums:			
Written premium		220,502,471	220,066,816
Ceded premium		(154,474,093)	(140,334,784)
Total net retained premium		66,028,378	79,732,032
(Decrease) increase in technical reserve	12	(4,796,279)	2,196,761
(Decrease) increase in claims reserve	13	(6,955,000)	8,922,499
Net claims paid		42,002,007	33,794,374
Total earned premium		35,777,650	34,818,398
Other income (expenses)			
Interests income	5	1,808,346	2,729,293
Interests expenses		(60,470)	(78,266)
Commisions paid		(795,981)	(3,845,414)
Risk analysis cost		(585,580)	(359,297)
Profit on sale of securities available for sale	8	1,922,103	5,194,944
Other income		184,933	160,662
Total income, net		38,251,001	38,620,320
General and administrative expenses:			
Salaries and other employee benefits	5	703,141	1,091,504
Professional fees		1,128,280	1,314,212
Travel expenses		601,983	409,303
Rental expenses		3,843	-
Depreciation and amortization	9	261,098	189,351
Insurances		14,234	28,938
Taxes		112,874	89,629
Telecommunications		38,490	33,172
Electrical energy		60,019	66,448
Dues and subscriptions		1,580	9,123
Customer's attention		2,197	2,965
Maintenance and repairs		54,840	83,411
Bank charges		73,696	124,168
Legal and notarial expenses		9,393	32,963
Donations		18,168	41,668
Others	15	281,919	454,583
Total general and administrative expenses		3,365,755	3,971,438
Profit before income tax		34,885,246	34,648,882
Income tax	17	1,662	6,321
Net profit		34,883,584	34,642,561

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, 2015
(In United States of America dollars)

	Nota	2015	2014
Net profit		34,883,584	34,642,561
Other comprehensive income:			
Gain realized transferred to income		(1,922,103)	(5,194,944)
Net changes in securities available for sale	8	(352,140)	5,222,857
Total of other comprehensive (loss) income		(2,274,243)	27,913
Total net comprehensive income of the year		32,609,341	34,670,474

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

Barents Re Reinsurance Company, Inc. and Subsidiary

Consolidated statement of changes in shareholder's equity
for the year ended December 31, 2015
(In United States of America dollars)

	Note	Total shareholder's equity	Common shares	Net changes in securities available for sale	Legal reserve	Retained earnings
Balance at December 31, 2013		272,801,000	185,925,044	9,033	122,140	86,744,783
Comprehensive income comprised of:						
Net profit		34,642,561	-	-	-	34,642,561
Realized gain transferred to income		(5,194,944)	-	(5,194,944)	-	-
Net changes in fair value of securities available for sale		5,222,857	-	5,222,857	-	-
Change in foreign currency translation		-	-	-	-	-
Total net comprehensive income of the year		34,670,474	-	27,913	-	34,642,561
		307,471,474	185,925,044	36,946	122,140	121,387,344
Transactions attributable to shareholders:						
Capital contribution	16	42,100,000	42,100,000	-	-	-
Capitalization of profits	16	-	60,747,385	-	-	(60,747,385)
		42,100,000	102,847,385	-	-	(60,747,385)
Other equity transactions:						
Increase in legal reserve		-	-	-	33,687	(33,687)
Balance at December 31, 2014		349,571,474	288,772,429	36,946	155,827	60,606,272
Comprehensive income consists of:						
Net profit		34,883,584	-	-	-	34,883,584
Realized gain transferred to profit or loss		(1,922,103)	-	(1,922,103)	-	-
Net changes in fair value of securities		(352,140)	-	(352,140)	-	-
available for sale		-	-	-	-	-
Total net comprehensive income of the year		32,609,341	-	(2,274,243)	-	34,883,584
Balance at December 31, 2015		382,180,815	288,772,429	(2,237,297)	155,827	95,489,856

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, 2015
(In United States of America dollars)

	Notes	2015	2014
Cash flows from operating activities:			
Net income		34,883,584	34,642,561
Adjustment by:			
Gain on sale of securities available for sale	8	(1,922,103)	(5,194,944)
Technical reserve on premiums	12	(4,796,279)	2,196,761
Claims reserve	13	(6,955,000)	8,922,499
Depreciation and amortization	9	261,098	189,351
Income interests		(215,767)	(2,729,293)
Interest expenses		60,470	78,266
Net changes in operating assets and liabilities:			
Decrease in deposits with maturities greater than 90 days	6	160,000	1,892,109
(Increase) decrease in premiums receivable		(12,721,516)	5,756,385
Decrease (increase) in other accounts receivable		602,814	(1,019,294)
Decrease in interests receivable		55,243	2,860,253
(Increase) decrease in other assets		(613,892)	766,566
(Decrease) increase in other accounts payable		(120,297)	379,539
Increase (decrease) in other liabilities		255,513	(515,513)
Increase in accrued expenses payable		2,832	2,699
Net cash provided by operating activities		8,936,700	48,227,945
Cash flows from investing activities:			
Purchase of securities available for sale	8	(380,609,722)	(426,372,221)
Sale of securities available for sale	8	348,557,819	323,285,952
Acquisition of investment in associate	10	-	(6,625,533)
Purchase of furniture and office equipment	9	(38,945)	(2,179,491)
Net cash used in investing activities		(32,090,848)	(111,891,293)
Cash flows from financing activities:			
Loan payable		1,169,186	(87,134)
Notes receivable	5	(1,280,000)	1,170,000
Capital contribution	16	-	42,100,000
Accounts receivable and payable, shareholders		9,320	61,064
Accounts receivable and payable - related parties	5	(1,500,237)	(10,291,534)
Net cash (used in) provided by financing activities		(1,601,731)	32,952,396
(Decrease) increase in cash		(24,755,879)	(30,710,952)
Cash at beginning of the year	6	51,080,284	81,791,236
Cash at end of the year	6	26,324,405	51,080,284
Non-monetary transactions:			
Capitalization of profits	16	-	60,747,385

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, floor 23.

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 December 31, 2011, Barents Re Reinsurance Company, Inc. (Belize) became the holder of all of the shares issued and outstanding of Barents Re Reinsurance Company Inc. (Barbados), society which was domiciled in 2010 to the Republic of Barbados and therefore, reincorporated under this jurisdiction. The main activity of the latter is to provide reinsurance services according to the International Reinsurance License granted by the Ministry of Finances of the Government of Barbados.

2. 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:

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the accounting requirements of the insurance industry in the Republic of Panama and modified by prudential regulations issued by the Superintendency of Insurance and Reinsurance of Panama for supervisory purposes.

2.2 Regulatory matters

The Company uses 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 maritime industry in which 10% is deferred. Reinsurance premiums assumed each year are deferred by 35%. These reserve premiums are accrued the following year.

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 in the event.

2.3 Principle of consolidation

The consolidated financial statements incorporate 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.

2.4 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.

2.5 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.

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.

2.6 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.

2.7 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.

2.8 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).

Financial asset	Fair value 2015	Fair value 2014	Fair value hierarchy	Valuation techniques (s) and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Securities available for sale	372,439,768	340,740,005	Level 1	Quoted prices in active market	N/A	N/A

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

Management 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.

	2015 Carrying value	2015 Fair value	2014 Carrying value	2014 Fair value
Assets				
Demand deposits	24,524,405	24,524,405	51,080,284	51,084,284
Time deposits	1,800,000	1,800,000	160,000	160,000
Premium receivable (excludes related company)	20,059,631	20,059,631	7,338,115	7,338,115
	46,384,036	46,384,036	58,578,399	58,582,399
Liabilities				
Loan payable	2,162,052	2,087,096	992,866	936,069

In the case of premiums and accounts receivable, due to their short-term nature they approximate their fair value.

	Total	Fair value hierarchy Level 1	Level 2	Level 3
2015				
Financial assets:				
Demand deposits	24,524,405	-	24,524,405	-
Time deposits	1,800,000	-	-	1,800,000
Premiums receivable	20,059,631	-	-	20,059,631
	46,384,036	-	24,524,405	21,859,631
Financial liabilities:				
Loan payable	2,087,096	-	2,087,096	-

		Fair value hierarchy		
	Total	**Level 1**	**Level 2**	**Level 3**
2014				
Financial assets:				
Demand deposits	51,084,284	-	51,084,284	-
Time deposits	160,000	-	-	160,000
Premium receivable	7,338,115	-	-	7,338,115
	58,582,399	-	51,084,284	7,498,115
Financial liabilities				
Loan payable	936,069	-	936,069	-

In the case of demand deposits and time deposits the carrying value approximates fair value for 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.

2.9 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.

2.10 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.

2.11 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.

2.12 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.

2.13 Legal reserve

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

2.14 *Cash*

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

3. Financial risk management

3.1 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's Management 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 Bolivarian Republic of Venezuela, Republic of Ecuador, 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:

3.2 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 automated reinsurance coverage that protect against loss frequency and severity. Negotiations of reinsurance coverage include exceed 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 in each opportunity that 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.

3.3 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, Management 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.

Management continuously monitors the financial condition of the issuers of securities involving a credit risk to the entity. Management 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 Senior 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:

Management 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:

	2015	**2014**
Investment grade	372,439,768	340,740,005

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
Ungraded	-

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**	
	2015	**2014**	**2015**	**2014**
Concentration by sector:				
Corporate	20,059,631	7,338,115	49,513,818	49,745,902
Government	-	-	322,925,950	290,994,103
Carrying amount	20,059,631	7,338,115	372,439,768	340,740,005
Geographic concentration:				
South America and Caribbean	20,059,631	7,338,115	-	-
United States of America	-	-	372,439,768	340,740,005
Carrying amount	20,059,631	7,338,115	372,439,768	340,740,005

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

3.4 Liquidity or financing risk

Liquidity risk is defined as the risk that the entity may have problems 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 months 1 year	Over 1 year	Total
2015					
Financial assets:					
Deposits in banks	24,524,405	1,800,000	-	-	26,324,405
Premiums receivable	-	-	16,765,550	3,294,081	20,059,631
Securities available for sale	-	-	372,439,768	-	372,439,768
Investment in associates	-	-	-	6,625,533	6,625,533
Total financial assets	24,524,405	1,800,000	389,205,318	9,919,614	425,449,337
Financial liabilities:					
Technival premiums reserve	23,109,932	-	-	-	23,109,932
Claim reserves	44,501,307	-	-	-	44,501,307
Loan payable	-	-	-	2,162,052	2,162,052
Total financial liabilities	67,611,239	-	-	2,162,052	69,773,291
2014					
Financial assets:					
Deposits in banks	51,080,284	-	160,000	-	51,240,284
Premiums receivable	-	-	7,338,115	-	7,338,115
Securities available for sale	-	-	340,740,005	-	340,740,005
Investment in associates	-	-	6,625,533	-	6,625,533
Total financial assets	51,080,284	-	354,863,653	-	405,943,937
Financial liabilities:					
Technival premiums reserve	27,906,211	-	-	-	27,906,211
Claim reserves	51,456,307	-	-	-	51,456,307
Loan payable	-	-	-	992,866	992,866
Total financial liabilities	79,362,518	-	-	992,866	80,355,384

3.5 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 new contractual rate fixing and the maturity dates:

	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No interest rate	Total
2015						
Financial assets:						
Deposits in bank	1,800,000	-	-	-	24,524,405	26,324,405
Premiums receivable	-	16,765,550	3,294,081	-	-	20,059,631
Securities available for sale	-	372,439,768	-	-	-	372,439,768
Investments in associates	-	-	6,625,533	-	-	6,625,533
Tota financial assets	1,800,000	389,205,318	9,919,614	-	24,524,405	425,449,337
Financial liabilities:						
Technical premiums reserve	-	-	-	-	23,109,932	23,109,932
Claims reserve	-	-	-	-	44,501,307	44,501,307
Loan payable	-	-	2,162,052	-	-	2,162,052
Total financial liabilities	-	-	2,162,052	-	67,611,239	69,773,291
Net liquidity margin	1,800,000	389,205,318	7,757,562	-	(43,086,834)	355,676,046
2014						
Financial assets:						
Deposits in bank	-	160,000	-	-	51,080,284	51,240,284
Premiums receivable	-	7,338,115	-	-	-	7,338,115
Securities available for sale	-	340,740,005	-	-	-	340,740,005
Investments in associates	-	6,625,533	-	-	-	6,625,533
Tota financial assets	-	354,863,653	-	-	51,080,284	405,943,937
Financial liabilities:						
Technical premiums reserve	-	-	-	-	27,906,211	27,906,211
Claims reserve	-	-	-	-	51,456,307	51,456,307
Loan payable	-	-	992,866	-	-	992,866
Total financial liabilities	-	-	992,866	-	79,362,518	80,355,384
Net liquidity margin	-	354,863,653	(992,866)	-	(28,282,234)	325,588,553

3.6 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.

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

3.7 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.

3.8 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
2015			
Assets			
Deposit in banks	75,774	26,248,631	26,324,405
Premiums receivable	-	20,059,631	20,059,631
Securities available for sale	-	372,439,768	372,439,768
Investment in associate	-	6,625,533	6,625,533
Total financial assets	75,774	425,373,563	425,449,337
Liabilities			
Technical reserve for premiums	-	23,109,932	23,109,932
Claims reserve	-	44,501,307	44,501,307
Loan payable	-	2,162,052	2,162,052
Total financial liabilities	-	69,773,291	69,773,291

	EURO	USD	Total
2014			
Assets			
Deposit in banks	75,835	51,164,449	51,240,284
Premiums receivable	-	7,338,115	7,338,115
Securities available for sale	-	340,740,005	340,740,005
Investment in associate	-	6,625,533	6,625,533
Total financial assets	75,835	405,868,102	405,943,937
Liabilities			
Technical reserve for premiums	-	27,906,211	27,906,211
Claims reserve	-	51,456,307	51,456,307
Loan payable	-	992,866	992,866
Total financial liabilities	-	80,355,384	80,355,384

4. 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.

- Premiums receivable - Premiums receivable are recorded at their outstanding recoverable value.

- 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.

- These estimates were made with the information available as at December 31, 2014 on annualized events and it is possible that future events may require modifying them (increase or decrease) in the coming years.

5. 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:

	2015	2014
Balances with related parties		
Assets		
Notes receivable	9,408,000	8,128,000
Investment in associate	6,625,533	6,625,533
Accounts receivable - related companies	5,864,008	5,658,638
Accounts receivable - shareholders	19,707	29,027
Liabilities		
Accounts payable - related companies	19,583	1,314,450
Transactions with related parties		
Interest income	204,351	217,144
Key executives salaries	192,892	524,341

At December 31, 2015, the Company acquired US$9,408,000 (2014: US$8,128,000) relating to certificates of investment issued by the related Company Standard Capital, which accrued interest at an annual rate of 2.5% (2014: 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.

6. Deposits in banks

Deposits in banks are detailed below:

	2015	2014
Demand deposits - domestic	2,732,585	12,262,222
Time deposits - domestic	1,800,000	-
Demand deposits - foreign	21,791,820	2,143,824
Time deposits - foreign	-	36,834,238
Total	26,324,405	51,240,284
Less:		
Time deposits at original maturity greater than 90 days	-	160,000
Cash and cash equivalents for consolidated cash flow purpose	26,324,405	51,080,284

As of December 31, 2015, time deposits accrued an interest rate of 1.15 %, with maturity on January 2016 and was not renewed (2014: 0.47 % and 1.25 %, maturing in March 2015 to June 2015).

7. Premiums receivable

Premiums receivable are summarized as follows:

	2015	2014
Montgomery Moore Re, Ltd.	20,059,631	7,338,115

Aging of accounts receivable matured but not uncollectible

	2015	2014
Current	8,700,000	7,338,115
30-60 days	-	-
61-90 days	8,065,550	-
More than 90 days	3,294,081	-
Total	20,059,631	7,338,115

In January 2016, the Company received from Montgomery Moore Re, Ltd., payment in cash for the amount of US$1,450,000.

Management considers that it is not necessary to establish a provision for premiums receivable since there is no objective evidence of their impairment.

8. Securities available for sale

Securities available for sale are summarized as follows:

	2015	2014
Listed securities (at fair value)		
Government bonds - foreign	372,439,768	340,740,005

The annual interest rate earned by securities available for sale ranged from 0.576% a 5.10% with maturities on December 2016 (2014: 0.15% a 4.67% with maturities between January and December 2015).

The movement of securities available for sale is summarized below:

	2015	2014
Balance at beginning of year	340,740,005	232,430,879
Additions	380,609,722	426,372,221
Sales	(346,635,716)	(318,091,008)
Gain transferred to income	(1,922,103)	(5,194,944)
Changes in fair value	(352,140)	5,222,857
Balance at end of year	372,439,768	340,740,005

During 2015, the Company sold securities available for sale for a total of US$346,635,716 (2014: US$318,091,008), during 2015, these sales generated a net profit of US$1,922,103 (2014: US$5,194,944).

As disclosed in Note 14, as of December 31, 2015, the Company has REPO agreements for the amount of US$1,254,277 (2014: 0) guaranteed securities, interest rate of 3.25% with a maturity date at the end of the securities available for sale portfolio that this credit guarantees.

9. Property, furniture, equipment and improvements

Property, furniture, equipment and improvements are summarized below:

2015	**Improvements**	**Building**	**Furniture equipment**	**Computer equipment**	**Balance**
Cost					
Balance at the beginning of the year	1,924,030	2,200,433	735,741	184,977	5,045,181
Additions	-	-	9,886	29,059	38,945
Balance at end of the year	1,924,030	2,200,433	745,627	214,036	5,084,126
Accumulated depreciation and amortization					
Balance at the beginning of the year	80,512	88,436	138,231	49,968	357,147
Additions	64,134	73,348	75,715	47,901	261,098
Balance at end of the year	144,646	161,784	213,946	97,869	618,245
Net balance	1,779,384	2,038,649	531,681	116,167	4,465,881
2014					
Cost	1,924,030	2,200,433	735,741	184,977	5,045,181
Accumulated depreciation and amortization	80,512	88,436	138,231	49,968	357,147
Net balance	1,843,518	2,111,997	597,510	135,009	4,688,034

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 for the amount of US$2,162,052 maturing in October 2018 and annual interest rate of 6.25%.

10. Investment in associate

On February 28, 2014, the Company acquired 2,041,723,822 shares from Nacional de Seguros, S.A. an organized and existing corporation under the laws of the Republic of Colombia, for the amount of US$6,625,533, representing 77% of the outstanding shares at that date. A summary of the statement of financial position and the statement of profit or loss as of December 31, 2015 is detailed as follows:

Statement of financial position

	2015
Assets	25,601,829
Liabilities	18,074,347
Equities	7,527,482
Total liabilities and equities	25,601,829

Statement of profit or loss:

Income from premiums	
Total earned premium	767,232
Acquisition, claims and benefits expenses	9,532
General and administrative expenses	2,933,588
Technical results	(2,175,888)
Total other income, net	1,621,554
Loss before income tax	(554,334)
Income tax	(71,954)
Net loss	(626,288)

According to the Minutes of the Shareholders Assembly dated December 19, 2014, the sale was approved of the totality of share capital in Nacional de Seguros, S.A., 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.

11. Other assets

The account of other assets is as follows:

	2015	2014
Land	917,896	917,896
Warehouse and offices	3,758,687	3,271,882
Construction in progress	7,000	-
Prepaid expenses	40,051	10,836
Prepaid tax	145,575	54,703
Other assets	445,120	445,120
	5,314,329	4,700,437

As of December 31, 2015, other assets of US$445,120 include advances for licensing processes for an insurance company in Mexico it is in the incorporation process.

As of December 31, 2015, the Company invested US$365,000 in offices located in Costa del Este.

12. Technical reserve for premiums

Reserves for premiums are accrued on a basis of 35% on the net premium subscribed or withheld, 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 June 6, 2016, that concluded that the total reserve for the Company is US$23,109,932 (2014: US$27,906,211).

The movement of the technical premiums reserve is presented below:

	2015	2014
Balance at beginning of year	27,906,211	25,709,450
Increase	(4,796,279)	2,196,761
Balance at end of year	23,109,932	27,906,211

13. Claims reserve

The claims reserve are based on an actuarial valuation, concluding that the total reserves amount to US$67,611,239 (2014: US$79,362,518) based on the contingency rate assumed by the Company. As established by the Panamanian Law on Insurance and Reinsurance, 35% of the net premium withheld was determined as technical reserve on premiums. The remaining of US$44,501,307 (2014: US$51,456,307), was accrued as claim reserve for possible contingencies.

The movement of the reserve is summarized below:

	2015	**2014**
Balance at beginning of year	51,456,307	42,533,808
Increase	(6,955,000)	8,922,499
Balance at end of year	44,501,307	51,456,307

14. Loans payable

The Company maintain loans with a bank for the amount of US$2,162,052 (2014: US$992,866) with maturity on October 2018 and an annual interest rate of 6.25%.

The short and long term obligation is as follows:

	2015	**2014**
Short term loans	1,399,837	145,560
Long term loans	762,215	847,306
	2,162,052	992,866

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

15. Other expenses

The other expenses account is summarized below:

	2015	2014
Promotion and advertising announcement	171,566	249,463
Transportation and couriers	8,655	22,188
Expenses abroad	-	113,966
Others	101,698	68,966
	281,919	454,583

16. Common shares

On Shareholders meeting dated November 12, 2013 a change in the par value of shares structures of par of shares of US$1,000 to 100,000 at no par value. As of December 31, 2015 the capital of the Company is US$288,772,429 at US$2,887.72 per share (2014: US$288,772,429 at US$2,887.72 per share).

In Minutes of Special Meeting of Shareholders' Assembly, dated June 16 and September 30, 2014, the capital contribution was approved in the amount of US$42,100,000 by Standard Capital Shareholdings.

As Minutes of Extraordinary Meeting of Shareholders, dated 22 and December 30, 2014, the capitalization of retained earnings of US$60,747,385 was approved.

17. 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, 2014, 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 Subsidiaries Barents Re Reinsurance Company, Ltd. (Belize) and Barents Re Reinsurance Company, Inc. (Barbados) are not subject to pay income tax in their respective jurisdictions, due to the nature of its foreign operations. However, the income tax caused 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, 2015, the companies, Barents Re Reinsurance Company, Inc. (Panama), generated income tax for US$1,662 (2014; US$6,321).

18. Approval of financial statements

The consolidated financial statements for the year ended December 31, 2015 were approved and issuance was authorized by the Board of Directors on June 10, 2016.

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Disclaimer

This document contains certain forward looking statements which are subject to assumptions, risks and uncertainties; actual future results may differ materially from those expressed in or implied in such statements. Many of these assumptions, risks and uncertainties relate to factors that are beyond Barents Re's ability to control or estimate precisely. The forward looking statements reflect the knowledge and information available at the date of preparation of the Annual Report, and will not be updated during the year. Nothing in this Annual Report should be construed as a profit forecast.