CCRIF SPC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 2016

CCRIF SPC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of CCRIF SPC

We have audited the accompanying financial statements on pages 2 – 25 of the Core, EQ/TC SP, XSR SP, LPC SP and CA SP each as defined in Note 1 of the financial statements which comprise the balance sheets as at May 31, 2016, and the related statements of operations, changes in shareholder's equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each of the Core, EQ/TC SP, XSR SP, LPC SP and CA SP as at May 31, 2016, and each of their financial performance and each of their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers

September 16, 2016

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CCRIF SPC

BALANCE SHEET

AT MAY 31, 2016

(Expressed in United States dollars)

	Core	EQ/TC SP	XSR SP	LPC SP	CA SP
	$	$	$	$	$
ASSETS					
Cash and cash equivalents (Note 4)	3,386,022	1,892,992	2,913,421	744,720	632,920
Investments, at fair value (Note 5)	54,679,207	42,608,698	18,400,234	4,289,493	-
Development costs (Note 16)	460,167	-	-	-	-
Accrued interest	376,427	403,349	177,557	33,962	-
Unrealized gains on forward contracts (Note 8)	20,953	73,492	19,685	6,213	-
Due from Donor Funds	-	-	-	-	260,650
Due from Core (Note 17)	-	13,420,008	-	-	193,640
Due from Segregated Portfolios (Note 17)	2,500	1,285,000	15,000	-	-
Premium Receivable	-	-	496,711	-	-
Prepaid expenses	16,031	-	-	-	-
Total assets	58,941,307	59,683,539	22,022,608	5,074,388	1,087,210
LIABILITIES AND SHAREHOLDER'S EQUITY					
Liabilities					
Accounts payable and accrued expenses	223,392	92,114	23,992	6,293	4,241
Due to Core (Note 17)	-	-	2,500	-	-
Due to Segregated Portfolios (Note 17)	13,613,648	-	1,285,000	-	15,000
Participation fee deposits (Note 7)	-	13,232,508	-	-	1,000,000
Total liabilities	13,837,040	13,324,622	1,311,492	6,293	1,019,241
Shareholder's equity					
Share capital (Note 9)	1,000	-	-	-	-
Non-voting redeemable preference shares (Note 9)	-	1	1	1	1
Share premium (Note 9)	119,000	42,499,999	24,999,999	4,999,999	-
Retained earnings / (accumulated deficit)	44,984,267	3,858,917	(4,288,884)	68,095	67,968
Total shareholder's equity	45,104,267	46,358,917	20,711,116	5,068,095	67,969
Total liabilities and shareholder's equity	58,941,307	59,683,539	22,022,608	5,074,388	1,087,210

Approved for issuance on behalf of the Board of Directors of CCRIF SPC by:

Milo Pearson
Director

September 16, 2016
Date

Desiree Cherebin
Director

September 16, 2016
Date

The accompanying notes on pages 7-25 are an integral part of these financial statements.

CCRIF SPC

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MAY 31, 2016

(Expressed in United States dollars)

	Core	EQ/TC SP	XSR SP	LPC SP	CA SP
	$	$	$	$	$
Operating income					
Income from parametric insurance contracts (Note 2)	-	24,325,646	6,816,085	-	1,000,000
Discounts awarded on parametric insurance contracts	-	(13,294,562)	(986,343)	-	-
Expenses on parametric reinsurance contracts (Note 2)	-	(9,121,276)	(4,100,000)	-	(521,300)
Net income on parametric contracts	-	1,909,808	1,729,742	-	478,700
Ceding commissions on parametric reinsurance contracts	-	267,771	-	-	-
Total operating income	-	2,177,579	1,729,742	-	478,700
Operating expenses					
Claims paid on parametric insurance contracts (Note 11)	-	-	2,402,153	-	-
Claims recovered on parametric insurance contracts (Note 11)	-	-	-	-	-
Brokerage, facility supervisor and risk management specialist fees	785,265	45,564	6,250	-	-
Total operating expenses	785,265	45,564	2,408,403	-	-
Net operating income / (loss)	(785,265)	2,132,015	(678,661)	-	478,700
Other income and expenses					
Net investment income (Note 12)	756,723	434,195	178,979	31,254	104
Income from Donor Funds (Note 6)	9,239	-	-	-	581,300
Amortisation of development costs (Note 16)	(83,166)	-	-	-	-
Technical assistance expenses	(659,921)	-	-	-	-
Central American Initiative (Note 10)	227,010	-	-	-	(227,010)
Segregated portfolio rental fees	2,575,000	(1,500,000)	(400,000)	-	(675,000)
Administrative expenses (Note 14)	(1,336,132)	(44,568)	(235,129)	3,494	(90,126)
Net income / (loss) for the year	703,488	1,021,642	(1,134,811)	34,748	67,968

The accompanying notes on pages 7-25 are an integral part of these financial statements.

CCRIF SPC

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

(Expressed in United States dollars)

Core

	Share Capital	Non-voting redeemable preference shares	Share premium	Retained earnings	Total
Balance at May 31, 2015	$ 1,000	$ -	$ 119,000	$ 44,280,779	$ 44,400,779
Net income for the year	-	-	-	703,488	703,488
Balance at May 31, 2016	$ 1,000	$ -	$ 119,000	$ 44,984,267	$ 45,104,267

EQ/TC SP

	Share Capital	Non-voting redeemable preference shares	Share premium	Retained earnings	Total
Balance at May 31, 2015	$ -	$ 1	$ 42,499,999	$ 2,837,275	$ 45,337,275
Net income for the year	-	-	-	1,021,642	1,021,642
Balance at May 31, 2016	$ -	$ 1	$ 42,499,999	$ 3,858,917	$ 46,358,917

XSR SP

	Share Capital	Non-voting redeemable preference shares	Share premium	Accumulated deficit	Total
Balance at May 31, 2015	$ -	$ 1	$ 24,999,999	$(3,154,073)	$ 21,845,927
Net loss for the year	-	-	-	(1,134,811)	(1,134,811)
Balance at May 31, 2016	$ -	$ 1	$ 24,999,999	$(4,288,884)	$ 20,711,116

LPC SP

	Share Capital	Non-voting redeemable preference shares	Share premium	Retained earnings	Total
Balance at May 31, 2015	$ -	$ 1	$ 4,999,999	$ 33,347	$ 5,033,347
Net income for the year	-	-	-	34,748	34,748
Balance at May 31, 2016	$ -	$ 1	$ 4,999,999	$ 68,095	$ 5,068,095

The accompanying notes on pages 7-25 are an integral part of these financial statements.

CCRIF SPC

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

(Expressed in United States dollars)

CA SP

	Share Capital	Non-voting redeemable preference shares	Share premium	Retained earnings	Total
Balance at May 31, 2015	$ -	$ -	$ -	$ -	$ -
Preference shares issued	-	1	-	-	1
Net income for the year	-	-	-	67,968	67,968
Balance at May 31, 2016	$ -	$ 1	$ -	$ 67,968	$ 67,969

The accompanying notes on pages 7-25 are an integral part of these financial statements.

CCRIF SPC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MAY 31, 2016

(Expressed in United States dollars)

	Core	EQ/TC SP	XSR SP	LPC SP	CA SP
	$	$	$	$	$
Operating activities					
Net income/ (loss) for the year	703,488	1,021,642	(1,134,811)	34,748	67,968
Adjustments to reconcile net income/(loss) to net cash from operating activities:					
Adjustment for items not affecting cash:					
Change in fair value of investments	279,088	171,509	109,907	303	-
Net realized losses on investments	486,100	620,050	296,210	99,123	
Change in unrealized gain on derivatives	(225,383)	(396,587)	(159,803)	(49,135)	
Amortisation of development cost	83,166	-	-	-	-
Trading Securities:					
Purchase of securities	(19,439,929)	(17,944,798)	(6,331,115)	(1,327,492)	-
Proceeds from sale of securities	16,715,071	11,434,935	5,576,279	1,635,232	-
Changes in assets and liabilities:					
Due from Core	-	321,759	127,574	-	(193,640)
Due from Segregated portfolios	11,440	(1,285,000)	2,531,538	-	-
Accrued interest	(13,034)	17,914	19,085	15,137	-
Amounts due from Donor Funds	-	-	-	-	(260,650)
Premium receivable	-	-	(496,711)	-	-
Prepaid expenses	74,593	-	-	-	-
Accounts payable and accrued expenses	(169,727)	43,506	(44,980)	(4,647)	4,241
Income from parametric contracts received in advance	-	(1,425,000)	(106,250)	-	-
Due to Core	-	-	2,500	(13,940)	-
Due to Segregated Portfolios	(255,693)	(2,546,538)	1,285,000	-	15,000
Net cash provided by / (used in) operating activities	(1,750,820)	(9,966,608)	1,674,423	389,329	(367,081)
Investing activities					
Development costs	(155,000)	-	-	-	-
Net cash used in investing activities	(155,000)	-	-	-	-
Financing activities					
Participation fee deposits*	-	(187,500)	-	-	1,000,000
Share capital received	-	-	-	-	1
Net change in cash and cash equivalents	(1,905,820)	(10,154,108)	1,674,423	389,329	632,920
Cash and cash equivalents at the beginning of year	5,291,842	12,047,100	1,238,998	355,391	-
Cash and cash equivalents at the end of year	3,386,022	1,892,992	2,913,421	744,720	632,920
Interest and dividends received	1,675,956	1,422,510	692,909	155,069	104

*Non-cash decrease in participation fee deposits in EQ/TC SP was utilized to settle certain premium payments from parametric contracts in EQ/TC SP (Note 7). Non cash transactions between the Core and SP's are disclosed in Note 17.

The accompanying notes on pages 7-25 are an integral part of these financial statements.

1. Incorporation and principal activity

The Company was incorporated as Caribbean Catastrophe Risk Insurance Facility on February 27, 2007 under the laws of the Cayman Islands and obtained an insurance licence under the provisions of the Cayman Islands Insurance Law on May 23, 2007. On May 27, 2014 the Company re-registered as a Segregated Portfolio Company under the name of CCRIF SPC. The Company's sole shareholder is Mourant Ozannes Corporate Services (Cayman) Limited as is trustee (the "Trustee") of the CCRIF Star Trust (the "Trust"). The non-voting redeemable preference shares of each segregated portfolio (Note 9) are also held by the Trust.

The principal activity of the Company, through the establishment of various segregated portfolios (the "Segregated Portfolios"), is to provide catastrophe risk coverage through parametric insurance contracts, specifically relating to tropical cyclones, earthquakes and excess rainfall events ("events"), to certain Caribbean and Central American countries ("Participating Countries").

As of May 31, 2016, the Company comprises the general assets (the "Core"), which undertakes no underwriting activities, and four Segregated Portfolios ("SP"s), namely:

- Caribbean EQ/TC SP ("EQ/TC") – provides earthquake and tropical cyclone coverage to Caribbean governments
- Caribbean XSR SP ("XSR") – provides excess rainfall coverage to Caribbean governments
- Loan Portfolio Cover SP ("LPC") – provides loan portfolio coverage to financial institutions in Caribbean countries.
- Central America SP ("CA SP") - provides earthquake and tropical cyclone coverage to Central American governments

Collectively the Core and SPs are referred to as "CCRIF SPC".

In accordance with the relevant Cayman Islands laws, the assets and liabilities of the Segregated Portfolios are required to be kept separate and segregated from the assets and liabilities of the Core. Further, the assets and liabilities of each Segregated Portfolio are required to be kept segregated, separate and separately identifiable from the assets and liabilities of any other Segregated Portfolio. In the case of insolvency with respect to the general business activities, creditors will be entitled to recourse only to the extent of the assets of the Core. In the case of insolvency with respect to or attributable to a particular Segregated Portfolio, creditors will be entitled to have recourse only to the assets attributable to such Segregated Portfolio; such a claim shall not extend to the assets attributable to the Core or any other Segregated Portfolio.

The Core and SPs all use common service providers, share common processes, accounting systems, control environment, management and apply common accounting policies.

2. Parametric contracts

Each Participating Country determines the level of aggregate coverage and attachment points which are then used to determine their individual premiums. Claims are based on model-derived estimates of government losses generated using a pre-defined and escrowed catastrophe loss model and input data regarding the nature of each physical hazard event, as set out in the "Claims Procedures Manual" (hereinafter the "Claim Payout") and not with reference to actual losses incurred by the respective Participating Countries. Accordingly, Claim Payouts are not triggered by actual losses but rather the occurrence of the specified events within the defined policy parameters.

2. Parametric contracts (continued)

EQ/TC SP has ceded layers of this exposure to commercial reinsurers and the International Bank for Reconstruction and Development ("IBRD"). The following is a summary of the coverage in the program for the period up to May 31, 2016:

- EQ/TC SP retains all losses up to $30 million.
- 100% of the next $138 million of losses are reinsured with quality reinsurers with an A.M. Best rating of at least A and the IBRD.
- EQ/TC SP retains all subsequent losses above $168 million. The modelled probability of a loss reaching this layer has been indicated to be a 1-in-1,000 year loss event.

For the 2015/16 policy year (which terminated on May 31, 2016), the combined aggregate coverage limits for all Participating Countries in the EQ/TC SP were $294 million for tropical cyclone events and $147 million for earthquake events, respectively.

XSR SP has ceded layers of this exposure to a commercial reinsurer. The following is a summary of the coverage in the program for the period up to May 31, 2016:

- XSR SP retains all losses up to $7 million.
- 100% of the next $35 million of losses are reinsured with a quality reinsurer with an A.M. Best rating of A+.
- XSR SP retains all subsequent losses above $42 million. The modelled probability of a loss reaching this layer has been indicated to be a 1-in-5,000 year loss event.

For the 2015/16 policy year (which terminated on May 31, 2016), the combined aggregate coverage limits for all Participating Countries in the XSR SP were $55 million.

CA SP has ceded layers of this exposure to a commercial reinsurers. The following is a summary of the coverage in the program for the period up to May 31, 2016:

- CA SP retains all losses up to $1.5 million.
- 100% of the next $16 million of losses are reinsured with a quality reinsurer with an A.M. Best rating of A+.
- CA SP retains all subsequent losses above $17.5 million. The modelled probability of a loss reaching this layer has been indicated to be a 1-in-80 year loss event.

For the 2015/16 policy year (which terminated on May 31, 2016), the combined aggregate coverage limits for all Participating Countries in the CA SP were $8 million for tropical cyclone events and $10 million for earthquake events, respectively.

Losses are determined in accordance with the formulae set out in the contracts and are recorded as an expense on occurrence of a covered event. At May 31, 2016, there were no unpaid losses.

LPC coverage has not yet commenced.

3. Significant accounting policies

These financial statements on pages 2-25 have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and are stated in United States dollars. A summary of the significant accounting and reporting policies used in preparing the accompanying financial statements is as follows:

3. Significant accounting policies (continued)

Management estimates and assumptions: The preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from these estimates.

Cash and cash equivalents: Cash and cash equivalents comprise of call accounts with banker and investment custodians.

Investments: Investments consist of investments in equities, exchange-traded funds, retail mutual funds, corporate and government debt securities and short-term investments. Investment securities are traded with the objective of generating profits on short-term differences in market prices; accordingly, investments are classified as trading securities and are measured at fair value.

The fair value of exchange-traded funds is based on quoted market prices. The fair value of equity and fixed income securities are determined based on quoted market prices and/or prices determined using generally accepted pricing models as provided by the investment manager and custodian. The fair value of the retail mutual funds is based on the daily net asset values provided by fund administrators.

Unrealized gains and losses on investments are recorded as a change in fair value in the Statement of Operations. Realized gains and losses on investments are determined on the specific identification method and are credited or charged to the Statement of Operations.

Interest and dividend income is recorded on the accruals basis.

Forward and futures contracts: Investment managers are permitted to invest, within prescribed limits, in financial exchange traded futures contracts for managing the asset allocation and duration of the fixed income portfolio. Initial margin deposits are made upon entering into futures contracts and can be made either in cash or securities. During the period the futures contracts are open, changes in the value of the contracts are recognized as unrealized gains or losses by "marking-to-market" on a daily basis to reflect the market value of the contracts at the end of each day's trading. Variation margin payments are made or received, depending upon whether unrealized losses or gains are incurred. When the contracts are closed realized gain or loss is recorded equal to the difference between the proceeds from (or cost of) the closing transaction and the basis in the contracts. Futures contracts are valued based on exchange traded prices.

Investment managers are also permitted to invest in forward foreign exchange contracts to hedge or obtain exposure to foreign currency fluctuations in its securities which are denominated in currencies other than the U.S. dollar. These contracts are also valued daily using the "marking-to-market" method and are recognized in the balance sheet at their fair value, being the unrealized gains or losses on the contracts as measured by the difference between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date. Open forward and futures contracts are valued using Level 1 and Level 2 inputs (as defined in the accounting policy below), respectively.

Realized gains and losses and movement in unrealized gains and losses on both futures and foreign currency forward contracts are recorded as a component of investment income in the Statement of Operations.

Over-the-counter ("OTC") options: Investment managers are permitted to purchase and write OTC options to hedge against or obtain exposure to changes in the value of equities. OTC options are generally valued based on estimates provided by broker dealers or derived from proprietary/external pricing models using quoted inputs based on the terms of the contracts. Movement in unrealized gains and losses on OTC options are recorded as a component of investment income in the Statement of Operations. Open OTC options are valued using Level 2 inputs (as defined in the fair value measurements accounting policy below).

3. Significant accounting policies (continued)

Other Options and Warrants: Investment managers are permitted to purchase exchange-traded options and warrants to hedge against or obtain exposure to changes in equity price. When an option or warrant is purchased, an amount equal to the premium paid is recorded as an investment and is subsequently adjusted to the current market value of the option or warrant purchased. Premiums paid for the purchase of options or warrants which expire unexercised are treated as realized losses on derivative contracts. If a purchased put option is exercised, the premium is subtracted from the proceeds of the sale of the underlying security, foreign currency or commodity in determining whether gain or loss have been realized on derivative contracts. If a purchased call option or warrant is exercised, the premium increases the cost basis of the purchased security, foreign currency or commodity.

Movement in unrealized gains and losses on other options and warrants are recorded as a component of investment income in the Statement of Operations. Open options and warrants are valued using Level 2 inputs (as defined in the fair value measurements accounting policy below).

Fair value measurements: US GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under US GAAP are as follows:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that CCRIF SPC has the ability to access at the measurement date;

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3 Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors for debt securities. The fair value of investments in common stocks and exchange-traded funds is based on the last traded price. Net Asset Values ("NAV") are used to estimate the fair value of investments in non-exchange traded mutual funds. Investments in debt securities are valued based on observable inputs for similar securities and may include broker quotes.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the investment managers and custodians. The investment manager and custodian consider observable data to be market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant markets.

The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the investment advisors' perceived risk of that instrument. Investments are initially recorded at cost on trade date (being the fair value at date of acquisition) and are subsequently re-valued to fair value.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities, exchange-traded funds and certain short-term, investments. The investment manager does not adjust the quoted price for such instruments.

3. Significant accounting policies (continued)

Investments that trade in markets that are considered to be less active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include liquid corporate debt securities and non-exchange traded mutual funds. As Level 2 investments include positions that may not be traded in active markets and/or may subject to transfer restrictions, valuations may be adjusted, generally based on available market information.

None of the investments are classified within Level 3.

Income from Donor Funds: In accordance with the agreements described in Note 6, income from Donor Funds is recorded on an accruals basis when costs reimbursable under the grant agreements were incurred and are contractually reimbursable.

Income and expenses from parametric contracts: Amounts payable/receivable for claims under the parametric policies written and ceded does not correlate directly to the policyholder's incurred insurable loss (see Note 2 for details). Accordingly, these policies are not accounted for as insurance contracts within these financial statements.

Income from parametric contracts is initially recognized as a liability (reinsurance expense ceded: as an asset) and subsequently reported at fair value. All subsequent changes in fair value of the parametric contracts are recognized in earnings as income (reinsurance expenses) attributable to parametric contracts. The fair value of the contracts is determined based on management's best estimate of the discounted payouts (recoveries) resulting from the reasonably probable occurrence, magnitude and location of insured/reinsured events (based on historical trends and statistics) during the unexpired period of the contracts. At May 31, 2016, there was no unexpired period on either the written or ceded parametric contracts; accordingly, the fair value of these instruments was $Nil and accordingly, all income and expenses on such contracts are recognized as income/expense in the Statement of Operations. The net realized gains on the parametric contracts are comprised of the following line items within the Statement of Operations: Income from parametric insurance contracts, Discounts awarded on parametric insurance contracts and Claims paid on parametric insurance contracts, and are $11,031,084 in EQ/TC SP, $3,427,589 in XSR SP and $1,000,000 in CA SP for the year ended May 31, 2016.

Participation fee deposits: Participation fee deposits are paid by Participating Countries to enter the program. Deposits received are recorded as a liability in the financial statements. Participation fee deposits are recognized as income when:

- they are no longer refundable to the Participating Countries (see Note 7); and/or
- they are required to fund losses (see Note 7)

Deposits that are utilized to fund losses will be reinstated to the extent available from subsequent retained earnings up to the maximum amount of the initial deposits.

Foreign currency translation: Foreign currency assets and liabilities are converted to U.S. dollars at the rate of exchange prevailing at the balance sheet date. Transactions in foreign currencies are converted into U.S. dollars at the rate of exchange prevailing at the date of the transaction. Foreign exchange differences are included in the Statement of Operations in the year to which they relate.

Uncertain income tax positions: The authoritative US GAAP guidance on accounting for, and disclosure of, uncertainty in income tax positions requires CCRIF SPC to determine whether an income tax position is more likely than not to be sustained upon examination by the relevant tax authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For income tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements, if any, is reduced by the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. The application of this authoritative guidance has had no effect on the financial statements.

3. Significant accounting policies (continued)

Provision for uncollectible receivables: Management evaluates credit quality by evaluating the exposure to individual counterparties; where warranted management also considers the credit rating of financial position, operating results and or payment history of the counterparty. Management establishes provisions for amounts for which collection is considered doubtful. Adjustments for previous assessments are recognized as income in the year in which they are determined. No receivables are due in more than 12 months. At May 31, 2016, no receivables were determined to be past due or impaired and, accordingly, no provision for doubtful collection has been established.

Development costs: Development costs are amounts capitalized with respect to the development of the second generation catastrophe loss model which became operational, effective June 1, 2010, upgrade to the second generation loss model which became operational subsequent to May 31, 2012 and the excess rainfall model which became operational in 2014. The development costs are amortized on a straight line basis over 10 years for loss models (and 3 years for model upgrades), (being management's best estimate of the expected useful life) from the date the respective models become operational.

Segregated Portfolios: Each segregated portfolio's assets, liabilities and transactions are kept segregated and separately identifiable and accordingly each segregated portfolio is a separately identifiable financial reporting unit which respectively maintains segregated accounting records.

Each individual Segregated Portfolio is established in connection with the issuance of separate non-voting redeemable preference shares which are attributable to an individual segregated portfolio. The preference shares of each Segregated Portfolio are held by the Trust. Accordingly, as the Core has no ownership or beneficial interests in the net assets of any Segregated Portfolio, the results of the Segregated Portfolios are not consolidated and no transactions between Segregated Portfolios and/or the Core are eliminated.

Separate financial statements are prepared for the Core and each Segregated Portfolio and presented collectively in columnar format.

Segregated Portfolio rental fees: The Board of Directors may, at its discretion, charge rental fees to the Segregated Portfolios. Such fees represent a discretionary allocation of central costs necessarily incurred by the Core in the operation of the Segregated Portfolios. Rental fee income and expenses is recorded by the Core and Segregated Portfolios, respectively, when declared by the Board of Directors and in the amounts so determined by the Board of Directors.

4. Cash and cash equivalents

Cash and cash equivalents comprise accounts held by two banks in the Cayman Islands, along with cash and margin call accounts held with the investment managers, and are managed within guidelines established by the Board of Directors.

5. Investments

During the year, London and Capital and Butterfield Bank were engaged to provide asset management services under the terms of the related investment management agreements.

(Expressed in United States dollars)

5. Investments (continued)

The following tables summarize the investments that are measured at fair value at May 31, 2016:

Core	**Fair Value Measurements Determined Using:** Level 1 inputs	Level 2 inputs	Level 3 inputs	**Total**
At May 31, 2016:				
Non-exchange traded mutual funds	$ -	$ 2,988,715	$ -	$ 2,988,715
Exchange traded options	32,656			32,656
Exchange-traded funds	1,284,777	-	-	1,284,777
Equity investments				
- Communications	426,490	-	-	426,490
- Consumer, Cyclical	145,419	-	-	145,419
- Consumer, Non-cyclical	1,279,224	-	-	1,279,224
- Technology	277,660	-	-	277,660
Corporate debt securities	-	46,449,255	-	46,449,255
Government sponsored debt securities	-	1,795,011	-	1,795,011
	$ 3,446,226	$ 51,232,981	$ -	$ 54,679,207

EQ/TC SP	**Fair Value Measurements Determined Using:** Level 1 inputs	Level 2 inputs	Level 3 inputs	**Total**
At May 31, 2016:				
Equity investments				
- Communications	$ 778,096	$ -	$ -	$ 778,096
- Consumer, Cyclical	265,340	-	-	265,340
- Consumer, Non-cyclical	2,334,093	-	-	2,334,093
- Technology	506,500	-	-	506,500
Exchange traded options	58,782			58,782
Corporate debt securities	-	35,195,331	-	35,195,331
Government sponsored debt securities	-	3,470,556	-	3,470,556
	$ 3,942,811	$ 38,665,887	$ -	$ 42,608,698

XSR SP	**Fair Value Measurements Determined Using:** Level 1 inputs	Level 2 inputs	Level 3 inputs	**Total**
At May 31, 2016				
Equity investments				
- Communications	$ 338,475	$ -	$ -	$ 338,475
- Consumer, Cyclical	115,457	-	-	115,457
- Consumer, Non-cyclical	1,015,246	-	-	1,015,246
- Technology	220,304	-	-	220,304
Exchange-traded options	25,094	-	-	25,094
Corporate debt securities	-	15,157,483	-	15,157,483
Government sponsored debt securities	-	1,528,175	-	1,528,175
	$ 1,714,576	$ 16,685,658	$ -	$ 18,400,234

(Expressed in United States dollars)

5. Investments (continued)

LPC SP	**Fair Value Measurements Determined Using:** **Level 1 inputs**	**Level 2 inputs**	**Level 3 inputs**	**Total**
At May 31, 2016:				
Equity investments				
- Communications	$ 81,397	$ -	$ -	$ 81,397
- Consumer, Cyclical	27,767	-	-	27,767
- Consumer, Non-cyclical	244,275	-	-	244,275
- Technology	53,028	-	-	53,028
Exchange-traded options	5,844			5,844
Corporate debt securities	-	3,534,234	-	3,534,234
Government sponsored debt securities	-	342,948	-	342,948
	$ 412,311	$ 3,877,182	$ -	$ 4,289,493

The cost of investments for Core, EQ/TC, XSR and LPC at May 31, 2016 are $ 54,961,685, $ 43,313,510, $18,763,444 and $4,377,715 respectively.

At May 31, 2016, the Core holds positions in two non-exchange traded open ended mutual funds, both incorporated in Ireland. The objective of both of these funds is to seek to maximise total return consistent with preservation of capital and prudent investment management. Management considers these funds to be relatively liquid as the funds process subscriptions and redemptions on a daily basis, subject to their respective terms and conditions. Under certain circumstances, the administrator of the funds has the ability to suspend redemptions if it is considered to be in the best interests of the shareholder company of the funds as a whole. There are no unfunded commitments to these mutual funds.

	Core	**EQ/TC SP**	**XSR SP**	**LPC SP**
Percentage of debt securities issued by US counterparties	39%	31%	29%	52%
Percentage of debt securities issued by UK counterparties	15%	28%	25%	15%
Percentage of debt securities issued by counterparties based other countries	46%	41%	46%	33%

	Core	**EQ/TC SP**	**XSR SP**	**LPC SP**
Percentage of debt securities graded as A- or higher	42%	36%	33%	41%
Percentage of debt securities graded as higher than BBB- but lower than A-	48%	49%	53%	53%
Percentage of non-investment graded debt securities below BBB- or not rated	10%	15%	14%	6%

(Expressed in United States dollars)

5. Investments (continued)

The average maturity of fixed income securities as at May 31, 2016 is disclosed in the table below:

	Core	EQ/TC SP	XSR SP	LPC SP
Average maturity	5.35years	5.86years	6.06years	3.13years

The company is exposed to foreign exchange risk on debt securities that corresponds to the jurisdiction of the issuing counterparties.

Short term investments consist of cash held with the investment managers, term deposits and margin call accounts (see Note 8). The margin call accounts are restricted cash balances required to be posted with respect to the futures contracts (see Note 3 and 8). The margin call accounts have balances of $310,360 in the Core, $659,219 in EQ/TC SP, $238,086 in XSR SP and $63,161 in LPC SP at May 31, 2016.

6. Donor Funds

Core:

The Munich Climate Insurance Initiative ("MCII") is funded by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety. Under the agreement, the Core is eligible to receive funding for reimbursable costs involving the time costs and travel expenses of the Facility Supervisor project team in partnership with MicroEnsure (an independent entity specialising in the development of micro-insurance programs) to perform market research and assess demand for new micro-insurance parametric products, specifically for community business groups and regional development banks.

CA SP:
Effective October 14, 2015, an agreement was entered into between the International Bank for Reconstruction and Development/International Development Association (World Bank) acting as administrator of the Central America and Caribbean Catastrophe Risk Insurance Program Multi-Donor Trust Fund, and CA SP on behalf of CCRIF SPC (the "Recipient") as per CCRIF TF Grant No TF0A0564. The grant is for US$19.5 million to CCRIF SPC for a Central America and Caribbean Catastrophe Risk Insurance Project. The Donor Funds will finance Parametric Earthquake Risk Insurance and Parametric Climate Risk Insurance for CA SP Participating Countries.

During the year ended May 31, 2016, $9,239 donor fund income relating to MCII Costs and $581,300 relating to the World Bank project were recorded in the statement of operations in the Core and CA SP respectively.

7. Participation fees deposits

Participating fee deposits represent non-recurring amounts required to be paid by each Participating Country to enter a CCRIF SPC program. The deposits are equivalent to a proportion of the annual premiums written in respect of each Participating Country. It is Management's intent that participation fee deposits are available to fund losses in the event that funds from retained earnings and reinsurers are insufficient. If deposits are used to fund losses, it is also Management's intent that any subsequent earnings will be used to reinstate the deposits to their original carrying value; however, for the period from inception to May 31, 2016, no deposits have been used to pay losses. The participation fees are refundable, without interest, in the event that the CCRIF SPC does not renew the coverage to participating countries. Participation fees are not refundable if a Participating Country leaves the program for more than one year in any five year period, and would be recognized as income at that point. Participating Countries, who leave the program resulting in participation fees being voided, may, at the discretion of the Directors, be required to repay participation fees if they want to rejoin the program subsequently.

(Expressed in United States dollars)

7. Participation fees deposits (continued)

Further, participation fees deposits are partially refundable when a Participating Country's premium is reduced due to a reduction in coverage purchased, to the extent of the revised annual premiums.

During the year ended May 31, 2011, the Board of Directors approved a modification to the participation agreements such that up to 50% of the participation fees deposits paid by the Participating Countries could be used towards their respective premiums and during the year ended May 31, 2016, one Participating Countries elected to use a proportion of participation fee deposits held by EQ/TC SP to partially settle its premium (refer to Statements of Cash Flow for amount).

8. Derivative instruments

Derivatives are used for hedging purposes and portfolio management. Derivative instruments transactions include futures, forwards, and options with each instrument's primary risk exposure being interest rate, credit, foreign exchange, equity or commodity risk. The fair value of these derivative instruments are included as separate line items in the balance sheet with changes in fair value reflected as net change in unrealized gains/(losses) on derivatives as a component of the investment income line item in the Statement of Operations (see Note 12).

The following tables indicate the realized and unrealized gains and losses on derivatives, by contract type, as included in investment income in the Statement of Operations for the year ended May 31, 2016 (see Note 12).

Core	**Gross realized gains**	**Gross realized loss**	**Net realized loss**	**Change in unrealized gains**
Futures on fixed income securities	$ 134,566	$(136,501)	$(1,935)	$ 36,218
Foreign exchange contracts	287,759	(398,168)	(110,409)	189,165
Total	$ 422,325	$(534,669)	$(112,344)	$ 225,383

EQ/TC SP	**Gross realized gains**	**Gross realized loss**	**Net realized loss**	**Change in unrealized gains**
Futures on fixed income securities	$ 152,251	$(229,770)	$(77,519)	$ 136,828
Foreign exchange contracts	471,309	(653,943)	(182,634)	259,759
Total	$ 623,560	$(883,713)	$(260,153)	$ 396,587

XSR SP	**Gross realized gains**	**Gross realized loss**	**Net realized loss**	**Change in unrealized gains**
Futures on fixed income securities	$ 81,167	$(106,006)	$(24,839)	$ 4,695
Foreign exchange contracts	205,790	(277,353)	(71,563)	155,108
Total	$ 286,957	$(383,359)	$(96,402)	$ 159,803

(Expressed in United States dollars)

8. Derivative instruments (continued)

LPC SP	**Gross realized gains**	**Gross realized loss**	**Net realized gains/ (loss)**	**Change in unrealized gains**
Futures on fixed income securities	$ 9,265	$(4,736)	$ 4,529	-
Foreign exchange contracts	60,901	(80,533)	(19,632)	49,135
Total	$ 70,166	$(85,269)	$(15,103)	$ 49,135

The exposures on derivative contracts are generally short-term as these contracts are settled or lapse within a short time frame. The positions held in foreign exchange contracts at May 31, 2016, are reflective of the average positions held in forward and futures contracts during the year. With respect to futures and option contracts, the maximum notional exposure at any one point in time during the year ended May 31, 2016 were:

Core	Futures: $6,090,019	Options: $ 6,293,124
EQ/TC SP	Futures: $9,788,025	Options: $10,073,808
XSR SP	Futures: $4,374,675	Options: $ 4,668,660
LPC SP	Futures: $1,216,888	Options: $ 675,000

The following outstanding foreign exchange contracts were held as at May 31, 2016:

Core	Maturity date	Notional value	Fair Values
United States Dollars future (bought US$ sold €)	June 15, 2016	$4,591,191 (at future rate of US$1.11: €1)	$ 45,262
United States Dollars future (bought US$ sold £)	June 13, 2016	$2,442,994 (at future rate of US$1.4467:£)	(29,997)
United States 10 year note futures	September 30, 2016	$1,400,000	5,688
			$ 20,953

EQ/TC SP	Maturity date	Notional value	Fair Values
United States Dollars future (bought US$ sold €)	June 15, 2016	$10,573,652 (at future rate of US$1.11:€1)	$ 112,220
United States Dollars future (bought US$ sold £)	June 13, 2016	$3,981,175 (at future rate of US$1.4467 :£1)	(48,884)
United States 10 year note future	September 30, 2016	$2,500,000	10,156
			$ 73,492

(Expressed in United States dollars)

8. Derivative instruments (continued)

XSR SP	Maturity date	Notional value	Fair Values
United States Dollars future (bought US$ sold €)	June 15, 2016	$3,617,302 (at future rate of US$ 1.11: €1)	$ 37,397
United States Dollars future (bought US$ sold £)	June 13, 2016	$1,809,625 (at future rate of US$ 1.4467: £1)	(22,220)
United States 10 year note future	September 30, 2016	$1,100,000	4,508
			$ 19,685

LPC SP	Maturity date	Notional value	Fair Values
United States Dollars future (bought US$ sold €)	June 15, 2016	$1,113,016 (at future rate of US$1.11: € 1)	$ 12,879
United States Dollars future (bought US$ sold £)	June 13, 2016	$542,888 (at future rate of US$1.4467: £1)	(6,666)
			$ 6,213

9. Share capital and share premium

The authorised share capital of CCRIF SPC is $50,000 divided into 1,000 voting ordinary shares with a nominal or par value of $1.00 per share and 49,000 non-voting redeemable preference shares of $1.00 each. The following amounts are issued and fully paid.

	Core	EQ/TC SP	XSR SP	LPC SP	CA SP
Share capital	$ 1,000	$ -	$ -	$ -	$ -
Non-voting redeemable preference shares	-	1	1	1	1
Share premium	119,000	42,499,999	24,999,999	4,999,999	-
	$120,000	$42,500,000	$25,000,000	$ 5,000,000	$ 1

The holders of the general common shares are entitled to receive notice of, attend and vote at any general meeting of CCRIF SPC. Holders of non-voting redeemable segregated portfolio shares have no right to receive notice of or attend any general meetings of CCRIF SPC, nor have any right to vote at any such meetings in respect of such shares. Holders of non-voting redeemable segregated portfolio shares have the right to dividends or other distributions, subject to a directors' resolution as to the timing and amount of such dividends, have the right to a return of capital of CCRIF SPC upon winding up of CCRIF SPC, in preference to that of the Ordinary shares, and the shares can be redeemed by CCRIF SPC.

The share premium account represents the excess of the proceeds from issued share capital over the par value of the shares issued. The share premium account was established in accordance with the Cayman Islands Companies Law, which restricts the uses of these reserves.

Pursuant to the CCRIF SPC's Articles of Association, the Directors may declare and authorize payment of dividends out of profits of CCRIF SPC. Payment of any dividends is subject to approval by the Cayman Islands Monetary Authority ("CIMA").

(Expressed in United States dollars)

9. Share capital and share premium (continued)

Under the Cayman Islands Insurance Law the Company is required to maintain a minimum and prescribed net worth of $100,000.

CIMA has statutory powers that enable it to use its discretion to require CCRIF SPC to conduct its operations in accordance with general or specific conditions which may be imposed by CIMA or may be agreed between CIMA and CCRIF SPC. Generally, such matters are set out in the Business Plan which CCRIF SPC files with CIMA and, amongst others, includes reference to the risks assumed and retained by CCRIF SPC, the funding and capitalization levels, and investment policies.

10. Central American Initiative

During the year ended May 31, 2016 expenditure was charged by the Core to CA SP relating to extension of the Tropical Cyclone and Earthquake programme towards the countries of Central America, represented by the Council of Finance Ministers of those countries (the "COSEFIN Countries").

11. Claims paid

There was one event which triggered claim payment to Participating Country in the XSR SP. Total claim payment in the year ending May 31, 2016 was $2,402,153. No amounts were recovered from reinsurers in respect of this claim.

12. Net Investment Income

	Core	EQ/TC SP	XSR SP	LPC SP	CA SP
Net Investment income comprises:					
Interest and dividend income	$ 1,688,990	$ 1,404,596	$ 673,824	$ 139,932	$ 104
Change in fair value of investments	(279,088)	(171,509)	(109,907)	(303)	-
Net realized losses on sale of investments	(486,100)	(620,050)	(296,210)	(99,123)	-
Investment management, custody and fund administration fees	(287,351)	(325,706)	(156,695)	(42,770)	-
Foreign exchange gains / (losses)	7,233	10,430	4,566	(514)	-
Net realized losses on derivative instruments (Note 8)	(112,344)	(260,153)	(96,402)	(15,103)	-
Change in unrealized gains on derivative instruments (Note 8)	225,383	396,587	159,803	49,135	-
	$ 756,723	$ 434,195	$ 178,979	$ 31,254	$ 104

13. Related party transactions

During the year ended May 31, 2016, the Core incurred the Trustee and Enforcer fees of $27,553 on behalf of the Trust.

During the year ended May 31, 2016, key management compensation consisted of salaries and expenses amounting to $436,601 for three employees which are included within administration expenses.

(Expressed in United States dollars)

14. Administration expenses

Administration expenses comprise:

	Core	EQ/TC SP	XSR SP	LPC SP	CA SP
Audit and other professional fees	$ 81,793	$ 42,750	$ 213,000	$ -	$ 20,250
Captive management fees	134,000	-	15,000	(4,500)	34,000
Consultancy fees	39,137	-	-	-	-
Board and executive management remuneration	705,744	-	-	-	-
Directors' and Officers' insurance	23,719	-	-	-	-
Legal fees	8,945	-	-	-	15,744
Government fees	11,461	671	671	671	1,280
Meeting expenses	116,854	-	-	-	-
Publicity, conferences & workshops	114,577	-	5,000	-	-
Trust expenses (Note 13)	27,553	-	-	-	17,100
Munich Climate Initiative Project (Note 6)*	47,862	-	-	-	-
Sundry expenses and bank charges	24,487	1,147	1,458	335	1,752
	$ 1,336,132	$ 44,568	$ 235,129	$(3,494)	$ 90,126

* Parts of these expenses were reimbursed under a grant.

15. Taxation

No income, capital or premium taxes are levied in the Cayman Islands and CCRIF SPC has been granted an exemption until May 29, 2027, for any such taxes that might be introduced. CCRIF SPC intends to conduct its affairs so as not to be liable for taxes in any other jurisdiction. Accordingly, no provision for taxation has been made in these financial statements.

16. Development costs

Core	**Second Generation Loss Model**	**Second Generation Loss Model Upgrade**	**Excess Rainfall Model**	**Carib & CA Drought Model**	**Carib & CA XSR Model**	**Total**
Cost:						
Balance carried forward at May 31, 2015	$ 180,000	$ 379,755	$ 375,000	$ -	$ -	$ 934,755
Additions during the year	-	-	55,000	50,000	50,000	155,000
Balance carried forward at May 31, 2016	$ 180,000	$ 379,755	$ 430,000	$ 50,000	$ 50,000	$ 1,089,755

(Expressed in United States dollars)

16. Development costs (continued)

Accumulated amortisation:	Second Generation Loss Model	Second Generation Loss Model Upgrade	Excess Rainfall Model	Carib & CA Drought Model	Carib & CA XSR Model	Total
Balance carried forward at May 31, 2015	$ 90,000	$ 379,755	$ 76,667	$ -	$ -	$ 546,422
Amortisation charge for the year	18,000	-	65,166	-	-	83,166
Balance carried forward at May 31, 2016	108,000	379,755	141,833	-	-	629,588
Net book value at May 31, 2016	$ 72,000	$ -	$ 288,167	$ 50,000	$ 50,000	$ 460,167

Development costs above represent fees paid to third parties for development of computer loss modeling software which is necessary for the underwriting operations of CCRIF SPC.

17. Due to / from Core and Due to / from Segregated Portfolios

During the year ended May 31, 2016, the XSR SP bank account received premiums of $1,285,000 which relate to premiums for insurance policies written by the EQ/TC SP. This amount was outstanding at May 31, 2016.

During the year ended May 31, 2016, the following transactions occurred between the Core and the Segregated Portfolios:

	EQ/TC SP	CA SP
Participation fee deposit transferred by Core to EQ/TC SP	$ 13,420,008	$ -
Expenses reimbursement through Core	-	193,640
Total due from Core	$ 13,420,008	$ 193,640

	Core	EQ/TC SP	XSR SP
Expenses paid by XSR SP on behalf of CA SP	$ -	$ -	$ 15,000
Premium received by XSR SP on behalf of EQ/ TC SP	-	1,285,000	-
Expenses paid by Core on behalf of SP	2,500	-	-
Total due from Segregated Portfolios	$ 2,500	$ 1,285,000	$ 15,000

(Expressed in United States dollars)

17. Due to / from Core and Due to / from Segregated Portfolios (continued)

	XSR SP
Expenses paid by Core on behalf of SP	$ 2,500
Total due to Core	$ 2,500

	Core	XSR SP	CA SP
Participation fee deposit transferred by Core to EQ/ TC SP	$ 13,420,008	$ -	$ -
Expenses reimbursement through Core	193,640	-	-
SP premium received by XSR SP on behalf of EQ/TC	-	1,285,000	-
Expenses paid by XSR SP on behalf of CA SP	-	-	15,000
Total due to Segregated Portfolios	$ 13,613,648	$ 1,285,000	$ 15,000

During the year ended May 31, 2016, the Board of Directors approved segregated portfolio rental fees charged by the Core to the Segregated Portfolios of $1,500,000 to EQ/TC SP, $400,000 to XSR SP and $675,000 to CA SP.

18. Certain risks and financial instruments

(a) Geographical concentration of risk

The CCRIF SPC's principal activity comprises parametric catastrophe risk coverage for Participating Countries in the Caribbean region.

(b) Fair value

With the exception of balances in respect of insurance contracts, which are specifically excluded under U.S. GAAP, the carrying amounts of all financial instruments, except for investments, approximate their fair values due to their short-term maturities, and have been determined using Level 2 inputs; aside from cash and cash equivalents which have been determined using Level 1 inputs. Investments and derivative instruments are carried at fair value as described in Notes 3, 5 and 8.

(c) Credit risk

Financial assets potentially subject to concentrations of credit risk consist of cash and cash equivalents, investments in debt instruments and accrued interest receivable. The maximum amount of loss at May 31, 2016 would incur if the counterparties to the transactions do not meet their obligations, which would be the carrying amount of such assets in the balance sheet. Cash and cash equivalents and investments are placed with or held in custody by high credit quality financial institutions. Similarly, the investment policy requires that the investment managers invest in securities with a high credit quality (see Note 5). EQ/TC, XSR and CA SP have entered into parametric reinsurance arrangements with unrelated reinsurers. Parametric reinsurance ceded contracts do not relieve the EQ/TC, XSR or CA SP from their obligations under the parametric insurance contracts they have issued. EQ/TC, XSR and CA SP remain liable under its parametric insurance contracts for the portion reinsured to the extent that reinsurers do not meet their obligations to the Company assumed under the parametric reinsurance agreements. The credit risk is managed by transacting only with counterparties considered highly reputable and creditworthy and within established investment/derivative guidelines.

(d) Interest rate risk

The fair value of investments in fixed interest securities will be affected by movements in interest rates. An analysis of the investment portfolios is shown in Note 5. The fair value of the futures contracts may also be affected by movements in interest rates.

18. Certain risks and financial instruments (continued)

(e) Market risk

Market risk exists to the extent that the values of monetary assets fluctuate as a result of changes in market prices. Changes in market prices can arise from factors specific to individual securities, their respective issuers, securities/markets to which they are linked, or factors affecting all securities traded in a particular market. Relevant factors are both volatility and liquidity of specific securities and of the markets in which the investments are held.

(f) Liquidity risk

Liquidity risk exists to the extent that investments may not be sold/ redeemed on a timely basis to settle losses. The liquidity risk is mitigated by maintaining a proportion of assets in cash and short-term investments.

(g) Foreign exchange risk

In the normal course of business, the assets and liabilities may be held in currencies other than U.S. dollars. To reduce its risk to foreign exchange fluctuations forward foreign exchange contracts may be entered to. Forward foreign currency contracts result in exposure to currency risks to the extent of any mismatch between foreign exchange forward contracts and the corresponding financial instruments denominated in foreign currencies. Foreign currency forward contracts commit to purchase or sell the designated foreign currency at a fixed rate of exchange on a future date. The fair value of the forward foreign exchange contracts will fluctuate as a result of changes in the corresponding market rate of exchange. See Note 8 for details of forward foreign exchange contracts entered into during the period.

(h) Futures contracts risk

In the normal course of business financial futures are held and traded and are carried at fair value. These futures contracts represent future commitments to purchase financial instruments on specific terms at specified future dates. The fair value of the futures contracts will fluctuate corresponding to the fair value of the underlying financial instruments (see Note 8). The notional value of the underlying financial instruments represents the maximum risk of loss. The Directors consider this risk to be mitigated because of the short terms of the futures contracts and the underlying financial instruments being investment grade.

(i) Swaps

The Group enters into swap contracts to manage interest rate risk and hedge or obtain exposure to credit risk. The Group uses CDSs to provide protection against or obtain exposure to the credit default risks of sovereign or corporate issuers.

CDSs involve greater risks than if the Group had invested in the reference obligation directly. In addition to general market risks, CDSs are subject to liquidity risk and counterparty credit risk. The Group enters into CDSs with counterparties meeting certain criteria for financial strength. Where the Group is buying protection, the Group will recover none of the payments made to purchase that protection should a credit event not occur. During the year ended May 31, 2016 the Group did not sell credit protection.

In connection with equity swap contracts, cash or securities may be posted to or received from the swap counterparty in accordance with the terms of the swap contract. The Group earns or pays interest on cash posted or received as collateral.

Off-balance sheet risks associated with all swap contracts involve the possibility that there may not be a liquid market for these agreements, that the counterparty to the contract may default on its obligation to perform and that there may be adverse changes in currency rates, credit status, market prices and interest rates. Notional contract amounts are presented in Note 8 to indicate the extent of the Group's exposure to such instruments. At May 31, 2016, the Group had no open swap contracts (see Note 8).

18. Certain risks and financial instruments (continued)

(j) Options

Transactions in options carry a high degree of risk. The following section describes the primary types of option contracts that may be held and traded and the corresponding risks.

Purchased call options represent right to purchase a stock at a set price (the "exercise price") on a future specified date (in return for a premium i.e. the price paid for the option) but create no obligation to buy the stock but rather the right to do so until the expiration date.

If the stock price at expiration is above the exercise price by more than the premium paid, the transaction will result in a gain. If the stock price at expiration is lower than the exercise price, the call option will expire worthless and the loss recorded will be the amount of the premium paid (plus any transaction costs). Compared to owning the respective stock, purchased call options leverage upside gains when a stock price increases because for the same amount of money, there is exposure to a much larger number of the securities, however, unlike owning the stock (when the entire cost of the investment is at risk), the maximum loss that can be incurred with a purchased call option is the premium paid plus transaction costs.

Purchased put options represent the right to sell a stock at a fixed exercise price on a future specified date but create no obligation to sell the stock but rather the right to do so until the expiration date. If the stock price at expiration is below the exercise price by more than the premium paid, the transaction will result in a gain. If the stock price at expiration is above the exercise price, the purchased put option will expire worthless and the loss recorded will be the amount of the premium paid (plus any transaction costs). Compared to selling short the respective stock, purchased put options leverage upside gains when a stock price decreases because for the same amount of capital invested and pledged as security, there is exposure to a much larger number of the securities, however, unlike selling a stock short (when there downside risk is unlimited for the duration the security is sold short), the maximum loss that can be incurred with a purchased put option is the premium paid plus transaction costs.

Written put options represent an obligation to buy the stock at a fixed exercise price at the buyer's option. Selling (writing) options represents a significantly higher degree of risk. If the stock price at expiration is above the exercise price, the Written put option will result in a gain equal to the amount of the premium received (less any transaction costs). If the stock price at expiration is below the exercise price by more than the amount of the premium, the written put options will result in a loss, with the potential loss being up to the full value of the exercise price of the stock for the entire contract quantity. Compared to owning the respective stock, written put options limit upside gains to the premium received less transaction costs but leverage downside losses gains when a stock price decreases because for the same amount of capital invested and pledged as security which increases the risk of significantly larger losses.

Written call options represent the obligation to sell the stock at a fixed exercise price at the buyer's option and represent the highest possible degree of risk. If the stock price decreases, the written call options will result in a gain equal to the amount of the premium received (less any transaction costs). If the stock price increases over the exercise price, for the entire contract quantity, by more than the amount of the premium received, the written call options will result in a loss. Since a share price has no limits to how far it can rise, where a written call option is not covered (i.e. the corresponding quantity of the underlying security is not owned. The written call option is exposed to unlimited risk of loss. Compared to selling short the respective stock, written call options create exposure to leveraged downside losses when a stock price increases because for the same amount of capital invested and pledged as security which increases the risk of significantly larger losses.

(k) Custody risk

There are risks involved in dealing with a custodian who settles trades. Under certain circumstances, the securities and other assets deposited with the custodian may be exposed to a credit risk with regard to such parties. In addition, there may be practical or time problems associated with enforcing the rights to assets in the case of an insolvency of any such party.

19. Subsequent events

Management has performed a subsequent events review from June 1, 2016 to September 16, 2016, being the date that the financial statements were available to be issued. Management concluded that the following subsequent events require additional disclosure in these financial statements.

Subsequent to year end, Tropical cyclone Earl affected one of the Participating Countries under the Company's parametric contracts. However, preliminary runs of the Company's loss model indicated that none of the affected Participating Countries had reached the attachment points that would trigger a claim and therefore no payout is due.

Subsequent to year end, an Earthquake event affected one of the Participating Countries under the Company's parametric contracts. The Participating Country has reached the attachment point that would trigger a claim and therefore payout of $500,000 was made by the Central America SP. This amount is fully recoverable under the donor fund arrangement disclosed in Note 6

Subsequent to year end, an excess rainfall event affected one of the Participating Countries under the Company's parametric contracts. The Participating Country has reached the attachment point that would trigger a claim and therefore payout of $261,073 will be made by XSR SP.

SUPPLEMENTAL INFORMATION

CCRIF SPC

BALANCE SHEET

MAY 31, 2015

(Expressed in United States dollars)

	Core	EQ/TC SP	XSR SP	LPC SP
	$	$	$	$
ASSETS				
Cash and cash equivalents	5,291,842	12,047,100	1,238,998	355,391
Investments, at fair value	52,719,537	36,890,394	18,051,515	4,696,659
Development costs	388,333	-	-	-
Accrued interest	363,393	421,263	196,642	49,099
Due from Core Company	-	13,741,767	127,574	-
Due from Segregated Portfolios	13,940	-	2,546,538	-
Prepaid expenses	90,624	-	-	-
Total assets	58,867,669	63,100,524	22,161,267	5,101,149
LIABILITIES AND SHAREHOLDER'S EQUITY				
Liabilities				
Accounts payable and accrued expenses	393,119	48,608	68,972	10,940
Unrealized losses on forward contracts	204,430	323,095	140,118	42,922
Due to Core Company	-	-	-	13,940
Due to Segregated Portfolios	13,869,341	2,546,538	-	-
Income from parametric contracts received in advance	-	1,425,000	106,250	-
Participation fee deposits	-	13,420,008	-	-
Total liabilities	14,466,890	17,763,249	315,340	67,802
Shareholder's equity				
Share capital	1,000	-	-	-
Non-voting redeemable preference shares	-	1	1	1
Share premium	119,000	42,499,999	24,999,999	4,999,999
Retained earnings / (accumulated deficit)	44,280,779	2,837,275	(3,154,073)	33,347
Total shareholder's equity	44,400,779	45,337,275	21,845,927	5,033,347
Total liabilities and shareholder's equity	58,867,669	63,100,524	22,161,267	5,101,149

SUPPLEMENTAL INFORMATION

CCRIF SPC

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MAY 31, 2015

(Expressed in United States dollars)

	Core	EQ/TC SP	XSR SP	LPC SP
	$	$	$	$
Operating income				
Income from parametric insurance contracts	-	18,357,500	3,591,250	-
Discounts awarded on parametric insurance contracts	-	(5,340,288)	(1,044,712)	-
Expenses on parametric reinsurance contracts	-	(9,281,279)	(3,000,000)	-
Net income / (loss) on parametric contracts	-	3,735,933	(453,462)	-
Ceding commissions on parametric reinsurance contracts	-	218,478	-	-
Total operating income	-	3,954,411	(453,462)	-
Operating expenses				
Claims paid on parametric insurance contracts	-	-	3,393,004	-
Claims recovered on parametric insurance contracts	-	-	(893,004)	-
Brokerage and facility supervisor fees	686,072	111,394	25,000	-
Total operating expenses	686,072	111,394	2,525,000	-
Net operating income / (loss)	(686,072)	3,843,017	(2,978,462)	-
Other income and expenses				
Investment income	2,292,664	629,163	299,690	37,847
Income from Donor Funds	83,544	-	-	-
Amortisation of development costs	(55,667)	-	-	-
Technical assistance expenses	(428,341)	-	-	-
Central American Initiative	(108,903)	-	-	-
Segregated portfolio rental fees	1,900,000	(1,500,000)	(400,000)	-
Administrative expenses	(1,421,732)	(134,905)	(75,301)	(4,500)
Net income / (loss) for the year	1,575,493	2,837,275	(3,154,073)	33,347

SUPPLEMENTAL INFORMATION

CCRIF SPC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MAY 31, 2015

(Expressed in United States dollars)

	Core	EQ/TC SP	XSR SP	LPC SP
	$	$	$	$
Operating activities				
Net income for the year	1,575,493	2,837,275	(3,154,073)	33,347
Adjustments to reconcile net income to net cash from operating activities:				
Adjustment for items not affecting cash:				
Participation fee deposits used towards income from parametric contracts*	-	(410,000)	-	-
Change in fair value of investments	3,363,870	533,303	253,303	87,919
Net realized (gains) / losses on investments	(1,111,674)	127,043	71,032	32,109
Change in unrealized loss on derivative instruments	380,375	323,095	140,118	42,923
Amortisation of development cost	55,667	-	-	-
Trading Securities:				
Purchase of securities	(41,781,564)	(8,703,397)	(3,924,882)	(1,162,407)
Proceeds from sale of securities	50,681,962	7,488,877	3,611,545	867,910
Net movement in short term investments	1,422,284			
Due from investment broker	568,691	-	-	-
Changes in assets and liabilities:				
Accrued interest	681,953	(421,263)	(196,642)	(49,099)
Amounts due from Donor Funds	66,948	-	-	-
Prepaid expenses	124,423	-	-	-
Accounts payable	(174,529)	48,608	68,972	10,940
Income from parametric contracts received in advance	(2,475,000)	1,425,000	106,250	-
Participation fee deposits	(13,830,008)	13,830,008		
Due to / (from) Core	13,855,401	(13,741,767)	(127,574)	13,940
Due to / (from) Segregated Portfolios	-	2,546,538	(2,546,538)	-
Net cash provided by / (used in) operating activities	13,404,292	5,883,320	(5,698,489)	(122,418)
Investing activities				
Development costs	(245,000)	-	-	-
Net cash used in investing activities	(245,000)	-	-	-
Financing activities**				
Capital distribution	(13,579,076)	-	-	-
Contribution of capital	-	6,163,780	6,937,487	477,809
Net cash provided by / (used in) in financing activities	(13,579,076)	6,163,780	6,937,487	477,809
Net change in cash and cash equivalents	(419,784)	12,047,100	1,238,998	355,391
Cash and cash equivalents at the beginning of year	5,711,626	-	-	-
Cash and cash equivalents at the end of year	5,291,842	12,047,100	1,238,998	355,391
Interest and dividends received	3,345,048	280,708	144,995	25,738

SUPPLEMENTAL INFORMATION

CCRIF SPC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MAY 31, 2015

(Expressed in United States dollars)

*Non-cash decrease in participation fee deposits in EQ/TC SP was utilized to settle certain premium payments from parametric contracts in EQ/TC SP.

** Financing activities include the following cash and non-cash components. The non-cash distributions/contributions represent distributions/ contributions in specie of marketable investment securities which were distributed/contributed at fair market value on the date of distribution/ contribution.

	Core	EQ/TC SP	XSR SP	LPC SP
	$	$	$	$
Cash distribution/contribution	(13,579,076)	6,163,780	6,937,487	477,809
Non-cash distribution/contribution	(58,920,924)	36,336,220	18,062,513	4,522,191
Total	(72,500,000)	42,500,000	25,000,000	5,000,000