2014
ANNUAL REPORT

Beacon

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BRANCHES

Arima

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51-57 Tumpuna Road,
Arima, Trinidad.
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F: (1 868) 643 1728

Chaguanas

1st Floor, Mid Centre Mall,
Southern Main Road,
Chaguanas, Trinidad.
T: (1 868) 665 3097
F: (1 868) 665 3770

Point Fortin

Divya's City Mall,
Guava Road, Point Fortin, Trinidad
T: (1 868) 6-BEACON (623-2266)

San Fernando

60 Independence Avenue,
San Fernando, Trinidad.
T: (1 868) 652 3832/1353
F: (1 868) 652 4279

St. Augustine

71 Eastern Main Road,
Tunapuna, Trinidad.
T: (1 868) 662 6156

Tobago

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98 Norma Drive,
Suite 204, Birchwood Triangle,
Lowlands, Tobago
T: (1 868) 639 0779
F: (1 868) 639 2935

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Beacon House,
White Park Road, BB 11135,
St. Michael, Barbados.
T: (1 246) 436 6200, (1 246) 436 5001/2/3
F: (1 246) 436 9587

Grenada

Maurice Bishop Highway,
Calliste, PO Box 711.
St. George's, Grenada.
T: (1 473) 440 4447 / 6889
F: (1 473) 440 4168

St. Lucia

Orange Park Commercial Centre.
Bois D'Orange, CP 5702,
Gros Islet,St. Lucia
T: (1 758) 452 8334 / 458 0092
F: (1 758) 452 9492

AGENCIES

Debe

NARE Insurance Agencies Limited,
1121 S.S. Erin Road,
Debe, Trinidad.
T: (1868) 225 1325 / 384-6273

Sangre Grande

NARE Insurance Agencies Limited,
901 Eastern Main Road,
Sangre Grande, Trinidad.
T: (1 868) 668 0316 / 668 3593
F: (1 868) 668 3593

San Fernando

Alliance General Insurance Limited
JN Harriman's Building
34-36 Cipero Road,
Cross Crossing,
San Fernando, Trinidad
T: (1868) 222-8899

Falcon Insurance Services Limited
71 Cocoyea Village,
San Fernando, Trinidad
T: (1868) 221-0539 / 785-0766

Tunapuna

NARE Insurance Agencies Limited,
128 Eastern Main Road,
Tunapuna, Trinidad.
T: (1 868) 663-9043

Dominica

Archipelago Trading Limited,
Leopold House,
Dame Eugenia Charles Boulevard,
PO Box 21, Roseau,
Commonwealth of Dominica.
T: (1 767) 448 5247 / 0009
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St. Kitts & Nevis

EDEN Services (St. Kitts & Nevis) Limited,
2nd Floor Building 29,
Port Zante, Basseterre,
PO Box 2088, St. Kitts & Nevis.
T: (1 869) 466 5744
F: (1 869) 465 7509

St. Vincent

BMC Agencies, Sharp Street,
PO Box 2933,
Kingstown, St. Vincent.
T: (1 784) 457 1066
F: (1 784) 457 2103

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Forward Thinking

"Innovation distinguishes between a leader and a follower."
–Steve Jobs

Chairman's Remarks

The Financial Year ending June 30th 2014 marked another successful period for The Beacon Insurance Company Limited as we attained several milestones that have kept us at the forefront of the industry. We have been able to successfully navigate our way to corporate success while being cognizant of and actively engaged in fulfilling our responsibility to contribute to the development of the wider society.

We maintained our focus on the achievement of a clear set of performance objectives while continuing to strengthen our brand and place Beacon at the centre of the public's awareness A key aspect of our progress over the last 12 months has been our conscientious effort to actively demonstrate our commitment to good corporate governance. As a consequence our board was inducted as members of the Caribbean Corporate Governance Institute (CCGI), an organisation dedicated to advancing the principles of corporate governance across the Caribbean. This means that Beacon has pledged to comply with or explain policies and their effects in accordance with the Caribbean Corporate Governance Code. As active members, our board will be improving upon existing and setting new standards that speak to an increased level of corporate responsibility in all of our operations. Operational efficiency, and ensuring accountability and transparency not only reinforce our underlying philosophy of being fair to stakeholders but will undoubtedly contribute to sustained profitable growth.

Our network also expanded in the last fiscal year with the opening of a branch office in Point Fortin, Trinidad and Tobago. This new location is yet another sign that we are steadily on track to move from emerging giant to formidable competitor in the insurance sector. We further solidified our prominence in the financial services industry by achieving a rating of BBB+ from the Caribbean Information and Credit Rating Services Limited (CariCRIS). In assigning the rating CariCRIS is quoted as saying " the ratings of Beacon reflect the company's good market position with a strong and diverse distribution network, good quality of financial assets and liquidity, and its diversified earnings, continued profitability and comfortable capital adequacy."

While the last year brought us many business successes, we consider our most significant achievements to be the opportunities to contribute to community development. We have continued to support a number of schools, events and NGOs locally and across the region. Some of these included, Hardcore Caribbean, the Grenada Billfish Tournament, the Barbados Nation's Annual Funtathalon and the Annual Beacon Fun ride in St. Lucia. Our employees are also to be celebrated as they are in fact the reason we've been able to make steady progress during the last fiscal year.

In 2015, Beacon will concentrate on meeting the key deliverables as we seek to creatively differentiate everything we offer and make a difference to the lives of our customers and other members of our various publics.

I wish to emphasise my sincere appreciation for the unwavering support of our Executive Management Team, without whose astute leadership and sound decision making, our gains would have been impossible. I would also like to thank my fellow board members who gave freely of their time and counsel to ensure another profitable year for us.

On behalf of the Board of Directors, I take this opportunity to say a heartfelt thank you to you for trusting us with your most precious possessions and your confidence in us to keep our promises.

Christian Hadeed
Chairman

Chief Executive Officer's Report

It is again my pleasure to present the Chief Executive Officer's Report of the Beacon Insurance Company Limited for the 2013-14 financial year. A year for us that has been one of innovation, growth and continued transformation - a year in which we achieved several milestones of which we are very proud.

Beacon was the first insurance company in Trinidad and Tobago to launch an online product – we call it UChoose, as it enables our customers to select amongst many policy options and price. We also introduced 'Beacon Buddy' a mobile app that is also an industry first in the region and the Don't Worry Be Happy Campaign continuing our pursuit to always present a refreshing and valuable industry differentiation.

These innovations have also enabled Beacon to deliver to our customers where and when it is convenient to them.

The Beacon as result of dedicated and engaged staff and our loyal customer base reported a profit attributable to shareholders of $6.02M. Our revenue was above expectation, primarily driven from strong Trinidad Operations as the regional territories continue to recover from economic downturn. These Caribbean economies are showing marginal improvements but there remains economic challenges and we have therefore placed greater focus on consolidating our overseas operations as our Agency and Salesperson network was significantly expanded, and our focus on further deepening our broker relationships.

We did experience some unusual claim levels this year which reduced the expected profit level and corresponding return on equity over last year, however these losses are considered unusual and not trending, and we expect improvements over the next financial year.

Our other underwriting efficiency ratios improved with the exception of our operating expenses which increased to 25% of gross premium (2013 - 24%) and overall our combined ratio was 99% (2013 – 91%). Included in management expenses are one-off cost items and management and we therefore expect our expenses ratio to improve in the ensuing years. The current level of management expenses reflects Beacon's initiatives in several areas including HR development, the continued improvement of our IT infrastructure and marketing.

We continue to adopt a conservative approach managing our investment portfolio and achieved the target performance which was marginally below last year at 3.5%, which includes a diversified mix of sovereign and corporate bonds amounting to approximately 80% of the total investment portfolio. The regional financial markets remain characterized by low yields, high liquidity and limited opportunities.

Our statement of financial position has improved with total assets increasing by 17% to $522m which include cash resources and investment assets amounting to $190m, 36% of total assets.

We remain optimistic in 2015 as we welcome the passing of the new Insurance Legislation and Capital framework, increased emphasis on corporate governance which are all centered on the protection of the Industry's policy holders.

On behalf of the Shareholders and Board of Directors I take this opportunity to extend thanks to our staff and their families for their support and dedication to Beacon, all of whom have risen to the challenge of achieving these continued successes while remaining focused on our organisational purpose of delivering a life transforming experience to our customers.

Robert Mowser, MBA, ACII
Chief Executive Officer

Be 'Appy With Your Buddy

SCAN HERE
TO DOWNLOAD

onelink.to/mg7zjq

Download your Beacon Buddy App

- View existing insurance policies
- Renew existing insurance policies
- Get roadside assistance
- Get insurance quotes
- Upload accident photos

Available on the App Store

ANDROID APP ON Google play

Get it at BlackBerry World

Beacon
Switched On

beacon.co.tt

Corporate Profile

With forty years in the Insurance Industry Beacon's operations are regional supported by branch offices and an agency network that spans Tobago, Barbados, Dominica, Grenada, St. Kitts & Nevis, St. Lucia, and St. Vincent. Headquartered in Trinidad, the company underwrites all major lines of insurance, including Property, Motor, Accident & Casualty, Marine Cargo & Hull, Engineering, Bond, and Group Life & Employee Benefits. Beacon is considered by many to be an emerging giant in the insurance industry.

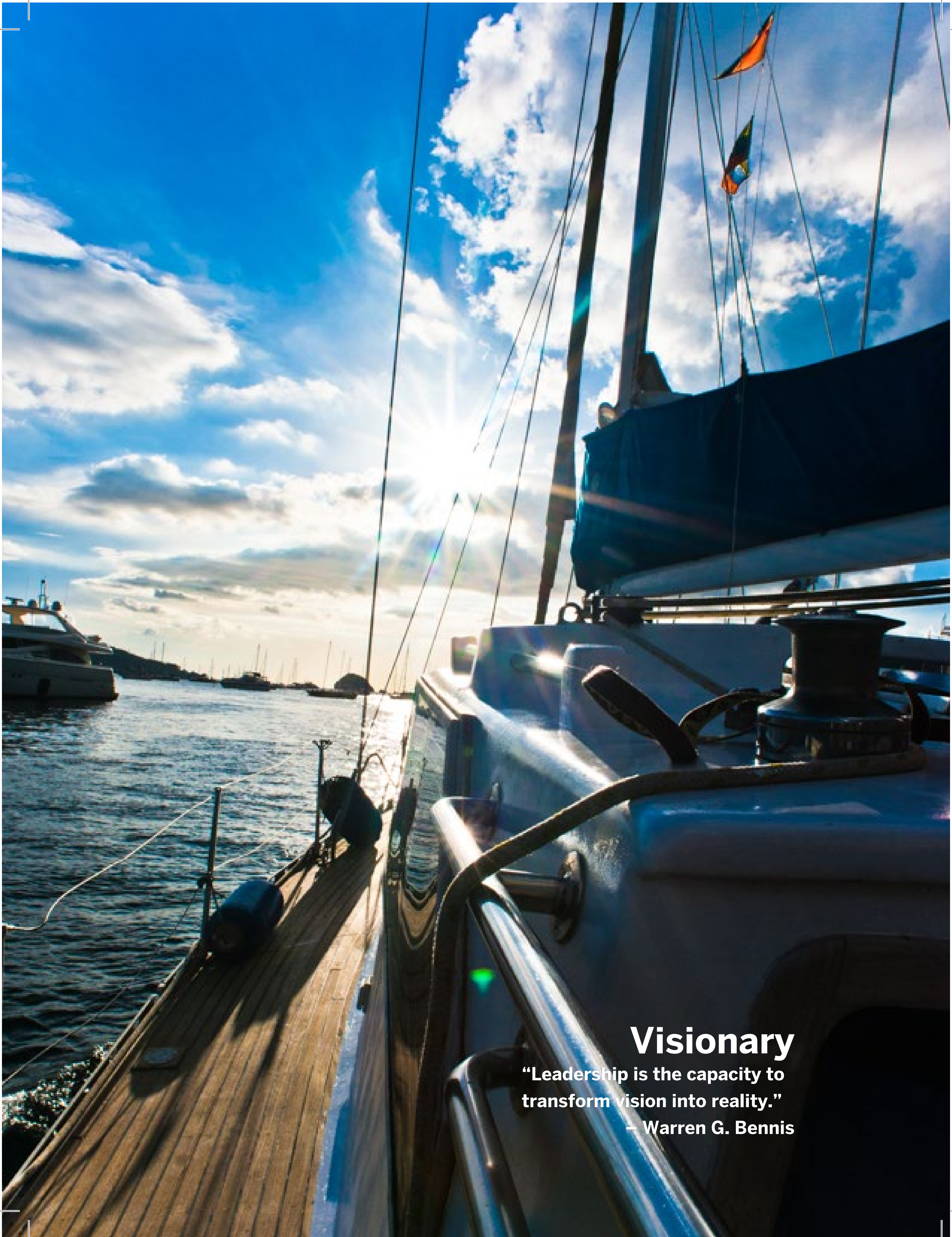
Led by an experienced and qualified Management Team, Beacon's gross assets have grown from a modest TT$35 million in its first year of operation to over TT$500 million to date.

Beacon's capital strength is enhanced through its Reinsurance Program. Their Reinsurance Brokers are AON Benfield and they also have long standing relationships with global leaders Hannover Re, Munich Re, Swiss Re and of course Lloyds of London whose collective expertise, financial strength and risk management capabilities are invaluable and add a superior level of stability to the company's operations.

The organization is structured around its customer segments and is further enhanced by a modernized policy administration system that interfaces with a workflow system, LANSA. The LANSA interface introduced Digital Work Flow and Document Management Systems which facilitate complete visibility and control of how documents and work progress through the organization, regardless of the location of the division where it originated.

The new regulatory environment has introduced Risk Based Capital and stringent Compliance and Internal Audit procedures. These have made necessary the injection of new capital to its Balance Sheet and the creation of an entire Compliance and Internal Audit Unit in the organization's structure. Beacon works closely with the financial regulators and supports the upgrading of the Region's Governance and Insurance Legislation.

As Beacon continues to grow, it remains steadfast in the company's mission *"to provide our employees and customers with a life-transforming experience that will help them achieve their goals and recover from setbacks through the compassionate delivery of our services."* The pursuit of this goal has become all consuming and utilizes the organization's unique blend of the technical expertise of its people, their relationship building skills and an innovative customer-focused use of technology.



Visionary

"Leadership is the capacity to transform vision into reality."
– Warren G. Bennis

Directors

Christian Hadeed
Chairman

Christian Hadeed was appointed to the Board of Directors of Beacon in August 2010. Christian joined the company in 2005 as a Claims Executive and held the position of Director, Claims Management until his appointment as Chairman. Mr. Hadeed is a Director of both Stanmore Properties Ltd and CGH Ltd, a property development, sales and rentals company. He holds a BSc in Business Administration from Chapman University, California. He has also attended several insurance, management and leadership training courses during his career and obtained a Diploma in Motor Insurance Claims - Investigating and Adjusting as a Certified Loss Adjuster for motor insurance.

Christian Hadeed was appointed Chairman of the board in September of 2013

Lindsay Gonsalves
Director/
Chief Financial Officer

Lindsay Gonsalves was appointed to the Board of Directors of Beacon in July 2006. He has been with the Beacon Group of Companies for over 10 years and is also a Director of Healthcare Technologies Ltd, Beacon Asset Management, and Secure Plus Ltd. In 1995, Mr Gonsalves, who worked as a Financial Consultant to the Caribbean Insurance Company Ltd, was appointed as its Financial Controller. Consequently, he was instrumental in guiding Caribbean Insurance in its transition to Beacon in 1996. Mr. Gonsalves holds an ACCA designation and is currently a fellow member of the ACCA of England and Wales and a member in practice of the Institute of Chartered Accountants of Trinidad and Tobago.

Robert Mowser
Director/
Chief Executive

Robert Mowser was appointed to Beacon's Board of Directors in November 2011. He began his career at the company in 2007 with his appointment to the position of VP, Corporate Services and later Chief Operating Officer in 2009. Mr Mowser brings several years of experience and knowledge of the insurance and reinsurance business acquired during his tenure with major local and international insurance brokers. Mr Mowser is a chartered insurer, having obtained his ACII designation from the Chartered Insurance Institute in London and holds a Master of Business Administration degree from the University of the West Indies.

Christopher Woodhams
Director/
Chief Information Officer

Christopher Woodhams was appointed to the Board of Directors of Beacon in November 2011. His career in Information Technology began in 1990 after he obtained his BSc in Computer Science from Nottingham University in the UK. He joined Beacon in 1996 as a Systems Administrator and was appointed VP, Information Systems in 2006. Christopher is a Director of Northwest Premium Finance Ltd, Beacon Finance Ltd, The Beacon Technology Company Ltd, Secure Plus Ltd and Health Care Technologies Ltd.

Patricia R. Bryan
Executive Director

Patricia R. Bryan has been a Director at Beacon from its inception in 1996. Prior to being appointed a Director of Beacon, she was also a director at Beacon Holdings Ltd, Northwest Premium Finance Ltd, The Beacon Asset Management Ltd, Beacon Finance Ltd and Beacon Technology Ltd.

Mrs Bryan's background in Motor Insurance, Management and Leadership began in 1980 with Caribbean Insurance Company Ltd and it is this wealth of experience that has afforded her the ability to function effectively on the above-mentioned boards. She also serves as a member of the Group's Audit and Investment Committee. Prior to entering the insurance industry, Mrs Bryan was employed in the commercial banking sector with the Bank of Nova Scotia in Trinidad, Canada and the Bahamas. She has also worked with the Roy West Banking Group of Companies in the Bahamas.

Richard M. Lewis
Director

Richard Lewis was appointed to the Board of Directors of Beacon in 1996. Mr Lewis received his HBA in 1974 from the Richard Ivy School of Business, University of Western Ontario. He is currently the General Manager/ Director of Label House Group Ltd, the leading brand identity and packaging solutions company in the Caribbean. He is also a board member of Republic Bank Ltd, Fincor, Republic Securities Ltd, Ceramic Trinidad Ltd, and Prestige Business Publications Ltd, publisher of Who's Who in Trinidad & Tobago Business magazine. He is a past president of the Trinidad & Tobago Manufacturers' Association.

Avinash Persaud
Director

Professor Avinash Persaud was appointed to the board of Beacon as a non-executive Director and chair of the Board's Audit Committee in August 2012. Professor Persaud was the Global Head of Foreign Exchange and Commodity Research at J.P. Morgan from 1993 until 1999 when he took the position of Managing Director of State Street Bank & Trust, a US-based Fortune 500 company. Starting in 2003, he also served as Investment Director at GAM London Ltd for two years. Professor Persaud currently sits as Chairman on several boards worldwide, including Elara Capital PLC (UK), Paradise Beach Ltd (Barbados), International Capital Ltd (UK) and is also a Director of RBC Latin America & the Caribbean. He was a member of the UK Treasury's Audit and Risk Committee in 2008 and Chairman of the regulatory sub-committee of the United Nations High-Level Panel of Financial Reform.

Corporate Information

EXECUTIVE MANAGEMENT TEAM

CHIEF EXECUTIVE
Robert Mowser
MBA,ACII

CHIEF FINANCIAL OFFICER
Lindsay Gonsalves
FCCA,CA

CHIEF INFORMATION OFFICER
Christopher Woodhams
BSC,HND

VP CORPORATE SERVICES
Adlyne Griffith
MBA

VP CUSTOMER SUPPORT
Dunstan Lodge
BSC,HND

VP TRINIDAD OPERATIONS
Natasha Pettier
LLB, FCII, MIRM, MBA

VP OVERSEAS OPERATIONS
Renato Lezama
ARM,AIS

VP HUMAN RESOURCES
Elisa Lousaing
MBA, CFP

VP FINANCE
Saleem Mohammed
FCCA,CA,MBA

CORPORATE SECRETARY

Anouk Lee Wo-Mollenthiel

REGIONAL MANAGEMENT

Anthony Joseph ACC, DIR
Agency Manager, Dominica

Molly Roberts
Branch Manager, Grenada

Gary DaSilva
Agency Manager, St Kitts & Nevis

Joralia St. Louis BSC, DIP. INS
Branch Manager, St Lucia

Keith Boyea DIP, BA
Agency Manager, St Vincent

REINSURANCE BROKERS

Aon Benfield

REINSURERS

Hannover Rückversicherungs Aktien Gesellschaft

Lloyd's of London

Swiss Reinsurance Company

Munchener Rückversicherungs Gesellschaft

ATTORNEYS-AT-LAW

J.D. Sellier & Company

Pollonais, Blanc, de la Bastide & Jacelon

Fitzwilliam, Stone & Alcazar

Elliot D. Mottley & Co.

Grant, Joseph & Co.

Gerald Burton Chambers

Karl T. Hudson-Phillips, QC

Lorraine D. Jolie

Joseph A. Delves

BANKERS

Barbados
FirstCaribbean International Bank (Barbados) Ltd

Barbados National Bank Inc.

Commonwealth of Dominica
RBC Royal Bank Ltd

Grenada
Republic Bank (Grenada) Ltd

RBTT Bank Grenada Ltd

St Lucia
RBTT Bank Caribbean Ltd

St Vincent
National Commercial Bank (SVG) Ltd

Trinidad & Tobago
Republic Bank Ltd
RBC Royal Bank Ltd
First Citizens Bank Ltd

AUDITOR

BDO

Our Staff

Connecting with people and building relationships is what we have always done and the financial year 2013/2014 was no different. We continued to touch the lives of many through sponsorship of events that are important to the people in our communities and the number of spaces in which Beacon can now be found has expanded significantly. Our participation in these community activities has contributed not only to the welfare and strength of the people we serve but to the company's pursuit of its larger purpose as well.

Our Staff

Family & Sports Day

Beacon's interaction with the wider public is also reflected in the camaraderie that permeates the organization and every opportunity for employees to play and have fun together is embraced. Our annual Christmas Dinner and Sports and Family Day have become staples that attract almost 100% staff participation but there are also several smaller events spearheaded by the vibrant Staff Club. This approach to work and play has helped us to build an enviable reputation in the industry.

Opening of Point Fortin Branch

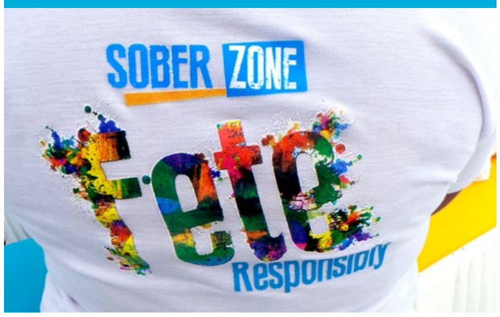
Grenada Customer Appreciation

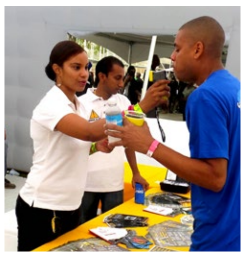
Our Community

Our elevated profile has been partly driven by our sponsorships beyond the realm of sport into lifestyle related activities. These have led to a wider reach in our communities touching the lives of people at every level.

Hardcore 2013

Carnival 2013





YTEPP

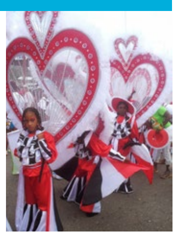
Our Community

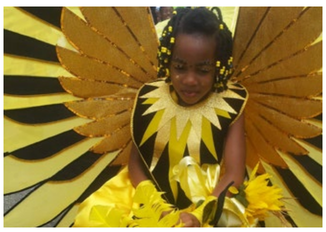
Southern Games
Rosalind Gabriel Carnival Productions
YTEPP and Tobago Jazz Experience

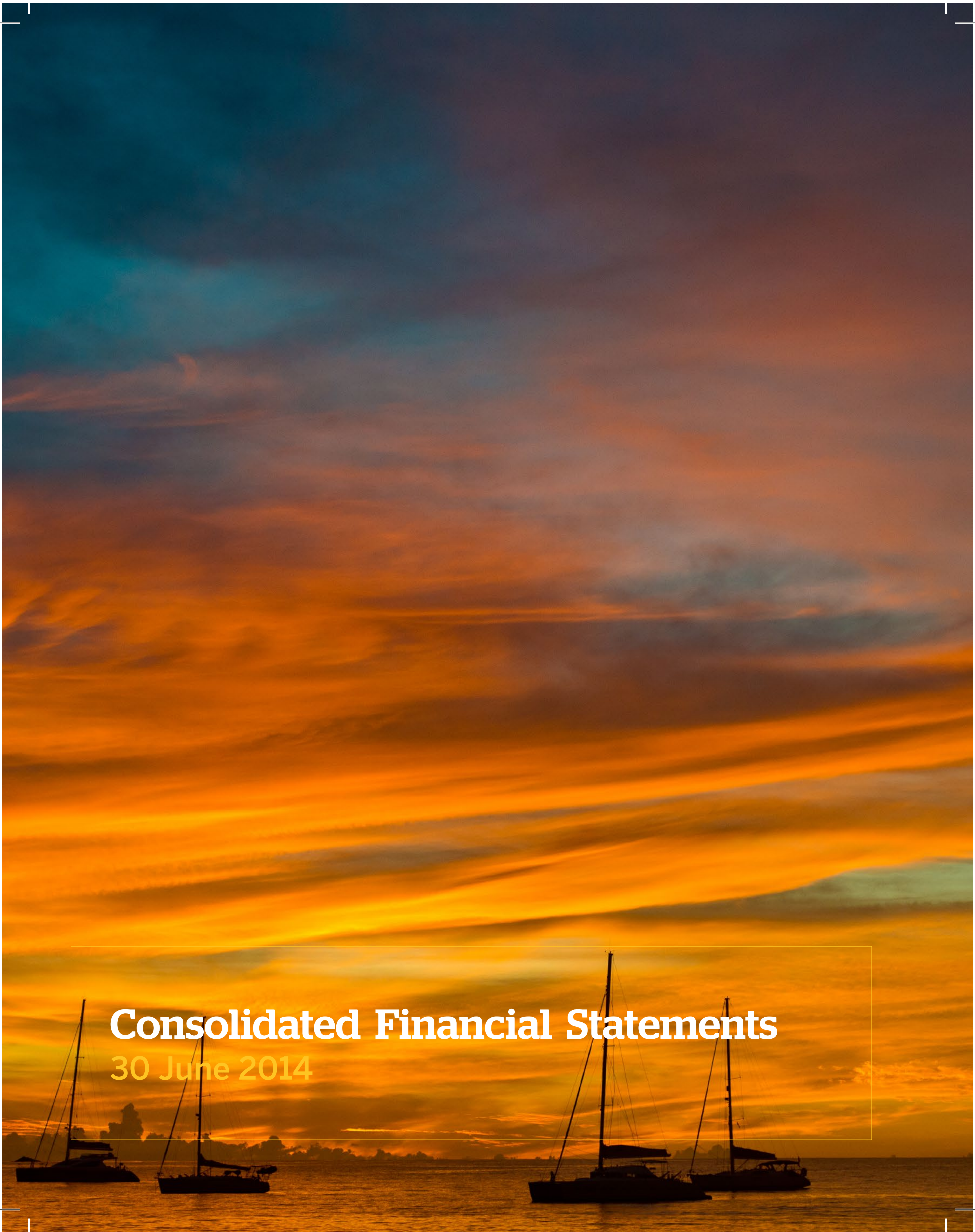
Tobago Jazz Experience

Southern Games

Rosalind Gabriel







Consolidated Financial Statements

30 June 2014

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9 Warner Street
Port-Of-Spain
Trinidad and Tobago

Independent Auditor's Report

To the Shareholders of
The Beacon Insurance Company Limited and its Subsidiary

We have audited the accompanying consolidated financial statements of The Beacon Insurance Company and its Subsidiary, which comprise the consolidated statement of financial position as at June 30, 2014 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements.

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

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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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 consolidated financial statements present fairly, in all material respects, the financial position of The Beacon Insurance Company Limited and its Subsidiary as at June 30, 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

BDO

October 30, 2014
Port of Spain,
Trinidad and Tobago

Consolidated Statement of Financial Position

As at June 30, 2014
(Expressed in Trinidad and Tobago Dollars)

	Notes	2014	2013
ASSETS			
Property, plant and equipment	5	34,483,144	32,390,329
Prepaid lease rental	6	20,983,994	21,301,933
Retirement benefit asset	7	1,272,128	1,406,960
Financial assets – available for sale	8	68,107,541	66,505,239
– loans and receivables	9	72,852,994	63,352,505
Reinsurance assets	10	190,259,645	155,694,908
Deferred income tax assets	11	3,552,938	2,174,980
Other assets		5,785,849	4,414,007
Taxation recoverable		2,788,582	2,341,450
Short term deposits	12	44,912,916	43,707,978
Cash and cash equivalents		76,801,561	51,107,604
Total Assets		**$521,801,292**	**$444,397,893**
SHAREHOLDERS' EQUITY			
Share capital	13	39,000,000	39,000,000
Statutory reserve	14	13,589,862	12,119,995
Fair value reserve		2,333,134	2,264,447
Retained earnings		49,704,453	48,221,365
Total Shareholder's Equity		104,627,449	101,605,807
LIABILITIES			
Insurance liabilities	15	331,695,151	279,534,789
Bank overdraft		32,442	629,024
Reinsurance payable		54,007,540	31,922,955
Trade and other payables	16	28,254,449	25,209,585
Deferred income tax liabilities	11	2,780,459	2,138,961
Taxation payable		403,802	3,356,772
Total Liabilities		417,173,843	342,792,086
Total Shareholder's Equity and Liabilities		**$521,801,292**	**$444,397,893**

See accompanying notes to the consolidated financial statements.

On October 30, 2014, the Board of Directors of The Beacon Insurance Company Limited authorised these consolidated financial statements for issue.

Director

Director

Consolidated Statement of Comprehensive Income

Year ended June 30, 2014

(Expressed in Trinidad and Tobago Dollars)

	Notes	2014	2013
Insurance premium revenue		331,673,182	315,752,853
Insurance premium ceded to reinsurers		(172,348,596)	(173,743,617)
Net premium written		159,324,586	142,009,236
Change in gross unearned premium reserves		(14,446,266)	7,247,316
Change in unearned premium reserves due to reinsurers		9,509,691	(3,510,172)
Net insurance premium revenue		154,388,011	145,746,380
Investment income		6,243,986	6,057,532
Commissions received on reinsurance contracts		57,737,500	52,238,191
Net realised gains on financial assets	18	397,580	-
Foreign exchange gains		422,172	511,531
Net income		219,189,249	204,553,634
Insurance benefits on long term contracts		(344,488)	1,243,778
Insurance benefits on long term contracts recovered from reinsurers		8,013	(113,416)
Insurance claims and loss adjustment expenses	19	(142,440,150)	(107,159,028)
Insurance claims and loss adjustment expenses recovered from reinsurers	19	48,928,467	36,997,497
Net insurance benefits and claims		(93,848,158)	(69,031,169)
Expenses for the acquisition of insurance contracts		(33,508,150)	(36,460,861)
Other operating and administrative expense	20	(83,631,163)	(77,258,515)
Expenses		(210,987,471)	(182,750,545)
Profit before taxation		8,201,778	21,803,089
Taxation	22	(2,180,743)	(7,138,816)
Profit for the year attributable to parent company shareholders		**6,021,035**	**14,664,273**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Net change in fair value on available for sale financial assets		68,687	816,802
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension plan		(68,080)	-
Other comprehensive income for the year, net of taxation		607	816,802
Total comprehensive income for the year attributable to parent company shareholders		**$6,021,642**	**$15,481,075**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity
Year ended June 30, 2014
(Expressed in Trinidad and Tobago Dollars)

	Notes	Share Capital	Statutory Reserve	Fair Value Reserve	Retained Earnings	Total
Year ended June 30, 2014						
Balance at July 1, 2013		39,000,000	12,119,995	2,264,447	48,221,365	101,605,807
Comprehensive income for the year						
Profit for the year attributable to parent company shareholders		-	-	-	6,021,035	6,021,035
Net change in fair value on available for sale financial assets		-	-	68,687	-	68,687
Remeasurements of defined benefit pension plan		-	-	-	(68,080)	(68,080)
Total comprehensive income		**-**	**-**	**68,687**	**5,952,955**	**6,021,642**
Transactions with owners:						
Dividends paid		**-**	**-**	**-**	(3,000,000)	(3,000,000)
Total transactions with owners						
Transfer to statutory reserve	14	-	1,469,867	-	(1,469,867)	-
Balance at June 30, 2014		**$39,000,000**	**$13,589,862**	**$2,333,134**	**$49,704,453**	**$104,627,449**
Year ended June 30, 2013						
Balance at July 1, 2011		39,000,000	11,561,380	1,447,645	34,115,707	86,124,732
Comprehensive income for the year						
Profit for the year attributable to parent company shareholders		-	-	-	14,664,273	14,664,273
Net change in fair value on available for sale financial assets		-	-	816,802	-	816,802
Total comprehensive income		-	-	**816,802**	**14,664,273**	**15,481,075**
Transfer to statutory reserve	14	-	558,615	-	(558,615)	-
Balance at June 30, 2013		**$39,000,000**	**$12,119,995**	**$2,264,447**	**$48,221,365**	**$101,605,807**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows
Year ended June 30, 2014
(Expressed in Trinidad and Tobago Dollars)

	2014	2013
Cash flows from Operating Activities		
Profit before taxation	8,201,778	21,803,089
Adjustments for:		
Depreciation	3,765,929	3,743,512
Amortisation of prepaid lease rentals	317,939	317,939
Change in retirement benefit asset	134,832	69,179
Loss on disposal of property, plant and equipment	68,471	65,150
Dividend income	(318,560)	(158,027)
Interest income	(3,797,308)	(4,208,295)
Impairment loss recognised	-	165,054
Foreign exchange gains	(422,172)	(511,531)
Gain on disposal of financial assets	(397,580)	-
Pension asset charged in other comprehensive income	(68,080)	-
	7,485,249	21,286,070
Net (increase)/decrease in loans and receivables	(9,500,489)	6,532,112
Net increase in reinsurance assets	(34,564,737)	(1,398,656)
Net increase in other assets	(1,659,148)	(1,507,230)
Net increase in short term deposits	(1,204,938)	(20,660,501)
Net increase/(decrease) in insurance liabilities	52,160,362	(8,350,980)
Net increase/(decrease) in reinsurance payable	22,506,757	(2,450,151)
Net increase in trade and other payables	3,044,864	5,456,414
Taxes paid	(6,340,201)	(7,235,032)
Net cash provided by/(used in) operations	**31,927,719**	**(8,327,954)**
Cash flows from Investing Activities		
Purchase of property, plant and equipment	(6,190,726)	(1,308,359)
Proceeds from disposal of property, plant and equipment	263,511	760,752
Dividends received	318,560	4,787,155
Interest received	4,084,614	158,027
Purchase of available for sale financial assets	(40,071,770)	(29,758,188)
Proceeds from disposal of available for sale financial assets	38,958,631	36,650,518
Net cash (used in)/provided by investing activities	**(2,637,180)**	**11,289,905**
Cash Flows from Financing Activities		
Dividends paid	(3,000,000)	-
Net cash used in financing activities	**(3,000,000)**	-
Increase in cash and cash equivalents	26,290,539	2,961,951
Cash and cash equivalents at beginning of year	50,478,580	47,516,629
	$76,769,119	**$50,478,580**
Represented by:		
Cash at bank and in hand	76,801,561	51,107,604
Bank overdraft	(32,442)	(629,024)
	$76,769,119	**$50,478,580**

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements
Year ended June 30, 2014
(Expressed in Trinidad and Tobago Dollars)

1. General Information

The Beacon Insurance Company Limited (the "Company") and its subsidiary (together the "Group") are incorporated in the Republic of Trinidad and Tobago. The Company is engaged in the underwriting of all classes of general insurance business, annuities and term life insurance. Its registered office is located at 13 Stanmore Avenue, Port of Spain, Trinidad. The Company also operates branches and agencies in Barbados, Dominica, Grenada, St. Vincent, St. Kitts and St. Lucia. The Company's ultimate parent company is CGH Limited which is also incorporated in the Republic of Trinidad and Tobago.

The Company has a 100% owned subsidiary, North West Premium Finance Limited (the "Subsidiary"), with registered office located at 13 Stanmore Avenue, Port of Spain, Trinidad. The Subsidiary is primarily engaged in the provision of financing to policyholders for insurance premiums underwritten by the Company in Trinidad and Tobago.

2. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "Standards"). These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available for sale financial assets.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

(i) Standards, amendments and interpretations to existing Standards applicable to the Group in the current year which were adopted by the Group.

The Group has adopted the following new IFRSs that are effective for the first time from July 1, 2013:

IAS 1 'Presentation of items of other comprehensive income' (amendments)

In the current year, the Group has applied IAS 1 Presentation of items of other comprehensive income (amendments) and the related consequential amendments for the first time.

IAS 1 requires that items of other comprehensive income must be grouped together into two sections:

- Those that will or may be reclassified into profit or loss
- Those that will not

IAS 19, 'Employee benefits' (as revised in 2011)

In the current year, the Group has applied IAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

Notes to the Consolidated Financial Statements
Year ended June 30, 2014
(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

(i) Standards, amendments and interpretations to existing Standards applicable to the Group in the current year which were adopted by the Group (continued)

IAS 19, 'Employee benefits' (as revised in 2011) (continued)

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus, which cannot be reclassified in future periods. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net benefit liability or asset. Amendments have also been made to the timing of recognition for termination benefits. Moreover, employee benefits expected to be settled (as opposed to due to be settled) wholly within 12 months after the year end are classed as short term benefits, and are not discounted. These changes have had an impact on the amounts recognised in profit or loss and other comprehensive income in prior years. In addition, IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

The Group has not applied IAS 19 (as revised in 2011) retrospectively as the impact was not material.

IFRS 13 Fair value measurement

In the current year, the Group has applied IFRS 13 Fair value measurement and the related consequential amendments for the first time.

IFRS 13 sets out the framework for determining the measurement of fair value and the disclosure of information relating to fair value measurement, when fair value measurements and/or disclosures are required or permitted by other IFRSs. As a result, the guidance and requirements relating to fair value measurement that were previously located in other IFRSs have now been relocated to IFRS 13. While there has been some rewording of the previous guidance, there are few changes to the previous fair value measurement requirements. Instead, IFRS 13 is intended to clarify the measurement objective, harmonise the disclosure requirements, and improve consistency in application of fair value measurement.

IFRS 13 did not materially affect any fair value measurements of the Group's assets or liabilities, with changes being limited to presentation and disclosure, and therefore has no effect on the Group's financial position or performance.

In addition, IFRS 13 is to be applied prospectively and therefore comparative disclosures have not been presented.

Notes to the Consolidated Financial Statements
Year ended June 30, 2014
(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for accounting period beginning after 1 July 2013 but have not been early adopted by the Group:

IAS 32, ‘Financial Instruments: Presentation’ (Amendments) clarify some of the requirements for offsetting financial assets and financial liabilities in the statement of financial position. The changes are retrospectively applied, with an effective date of annual periods beginning on or after January 1, 2014. Master netting agreements where the legal right of offset is only enforceable on the occurrence of some future event, such as default of the counterparty, continue not to meet the offsetting requirements. The disclosures focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. The new amendments are not expected to have any significant impact on the Group’s financial position or performance.

IFRS 9, ‘Financial instruments’. This new standard introduces new requirements for the classification, measurement and recognition of financial assets and financial liabilities and replaces parts of IAS 39. The standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. IFRS 9 is required to be applied retrospectively. IFRS 9 uses business model and contractual cash flow characteristics to determine whether a financial asset is measured at amortized cost or fair value, replacing the four category classification in IAS 39. The determination is made at initial recognition. The approach is also based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. IFRS 9 has also introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The Group is yet to assess IFRS 9’s full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after January 1, 2018.

Other standards, amendments and interpretation to existing standards in issue but not yet effective are not considered to be relevant to the Group and have not been disclosed.

(iii) Standards, amendments and interpretations to existing standards early adopted by the Group

The Group did not early adopt any new revised or amended standards.

2.2 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the ‘functional currency’). The consolidated financial statements are presented in Trinidad and Tobago Dollars, which is the Group’s functional and presentation currency.

Notes to the Consolidated Financial Statements

Year ended June 30, 2014
(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

2.2 Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

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

Translation differences on non-monetary financial instruments such as equities classified as available for sale financial assets are included in other comprehensive income.

(iii) Foreign Branch operations

The results and financial position of all the branches (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;

(b) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

2.3 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated to write off the cost of each asset to their residual values over their estimated useful lives as follows:

	Method	**Rate**
Leasehold and freehold properties	Straight line	2%
Furniture and fittings	Reducing balance	12 ½%
Office equipment	Reducing balance	20%
Vehicles and computer equipment	Reducing balance	25%

Leasehold buildings are depreciated over the shorter of the lease term and the asset's useful economic life. The assets' residual values and useful lives are reviewed at each statement of financial position date and adjusted if appropriate.

Notes to the Consolidated Financial Statements
Year ended June 30, 2014
(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

2.3 Property, plant and equipment (continued)

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining profit or loss for the year.

2.4 Financial assets

The Group classifies its financial assets into the following categories: loans and receivables and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the initial recognition and re-evaluates this at every reporting date.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group has designated as available for sale. Loans and receivables are recognised initially at fair value and are subsequently carried at amotised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to their original terms. (See Note 2.5 for the accounting policy on impairment). Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. (See Note 2.7 (c) for receivables from insurance contracts).

(b) Available for sale financial assets

Available for sale financial assets are investments that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables.

Available for sale financial assets are initially recognised at fair value plus transactions cost that are directly attributable to their acquisition. These assets are also subsequently carried at fair value.

Unrealised gains and losses arising from changes in the fair value of securities classified as available for sale are recognised in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the statement of comprehensive income as net realised gains/losses on financial assets.

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

Interest on available for sale financial assets, calculated using the effective interest method is recognised in the statement of comprehensive income. Dividends on the available for sale equity instruments are recognised in the statement of comprehensive income when the Group's right to receive payment is established. Both are included in the investment income line.

Purchases and sales of investments are recognised on the trade date – the date on which the Group commits to purchase or sell the asset.

Notes to the Consolidated Financial Statements
Year ended June 30, 2014
(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

2.4 Financial assets (continued)

Available for sale financial assets (continued)

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are include in the statement of comprehensive income as ‘net realised gains or losses on financial assets’.

Financial assets are derecognised when the right to received cash flows from them have expired or where they have been transferred and the Group has also transferred substantially all risk and rewards of ownership.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer broker, industry group, pricing services or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. If the above criteria are not met, the market is regarded as being inactive.

The fair value of quoted investments are based on last traded prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

2.5 Impairment of assets

(a) Assets classified as available for sale

The Group assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss. In this respect, a decline of 20% or more is regarded as significant, and a period of 12 months or longer is considered to be prolonged. If any such quantitative evidence exists for available for sale financial assets, the asset is considered for impairment, taking qualitative evidence into account. The cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. 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 recognised in profit or loss, the impairment loss is reversed through the statement of comprehensive income.

Notes to the Consolidated Financial Statements
Year ended June 30, 2014
(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

2.5 Impairment of assets (continued)

(b) Financial assets carried at amortised cost

The Group assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that the financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following events:

(i) significant financial difficulty of the issuer or debtor;

(ii) a breach of contract, such as a default or delinquency in payments;

(iii) it becoming probable that the issuer or debtor will enter bankruptcy or other financial re-organisation;

(iv) the disappearance of an active market for that financial asset because of financial difficulties; or

(iv) observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

- adverse changes in the payment status of issuers or debtors in the group; or
- national or local economic conditions that correlate with defaults on the assets in the group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. As a practical expedient, the Group may measure impairment on the basis of an asset's fair value using an observable market price.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Group's grading process that considers asset type, industry, geographical location, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

Notes to the Consolidated Financial Statements
Year ended June 30, 2014
(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

2.5 Impairment of assets (continued)

(b) Financial assets carried at amortised cost (continued)

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income.

(c) Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or change in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.6 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less. Bank overdrafts are reflected as financial liabilities.

2.7 Insurance contracts

The Group issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. The Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that is at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

(a) Recognition and measurement

The insurance contracts issued by the Group comprise short-term and long-term insurance contracts. Short-term contracts consist of property and casualty insurance contracts and short-term life insurance contracts. The long-term insurance contracts mainly relate to term life assurance and annuity contracts.

Property and casualty insurance contracts

Casualty insurance contracts protect the Group's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employer's liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Motor Vehicle Insurance legislation makes provision for the protection of third parties against risks arising out of the use of motor vehicles. Motor insurance contracts indemnify the Group's clients against negligence in the event of an accident which causes property damage and/or personal injury to third parties. The policy provides for specified limits of liabilities in accordance with the legislation.

Notes to the Consolidated Financial Statements
Year ended June 30, 2014
(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

2.7 Insurance contracts (continued)

(a) Recognition and measurement (continued)

Property and casualty insurance contracts (continued)

The Group also issues comprehensive policies which cover "own damage" to the insured's property.

Property insurance contracts mainly compensate customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The proportion of premiums received on in-force contracts that relates to unexpired risks at the statement of financial position date is reported as the unearned premiums liability. Premiums are shown before the deduction of commission.

Provisions for unearned premiums represent the proportions of the premiums written in the year less reinsurances thereon which relate to periods of insurance subsequent to the year end and are computed using 100% of the 24ths method for all business except bonding and other classes where the period of risk exceeds one year. For bonding, the group reserves 100% of premiums for the year until the expiry of the risk and, for other classes where the period of risk exceeds one year, premiums are amortised on the straight line basis.

Claims and loss adjustment expenses are charged to the statement of comprehensive income as incurred based on the estimated liability for compensation owed to contract holders or third parties for bodily harm or property damage by the contract holders. They include direct and indirect settlement costs arising from events that have occurred up to the statement of financial position date even if they have not yet been reported to the Group. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported. Legal opinion and precedent are used to estimate the expected ultimate cost of more complex claims involving litigation.

Short-term life insurance contracts

These contracts are short-duration life insurance contracts which consist of group life and group credit life contracts that are issued against the consequences of death or disability. Group life contracts issued are annually renewable. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

Short-term life insurance premiums are accounted for in the statement of comprehensive income on the accruals basis. Premiums are shown before deduction of commission.

Benefits are recorded as an expense when they are incurred. Liabilities for incurred but not reported (IBNR) on group credit life policies are estimated as a percentage of the outstanding claims liability. This approximation is checked for reasonableness against the claims and expense experience.

Provisions for unearned premiums represent the proportions of short-term insurance premiums written in the year, which relates to periods of insurance subsequent to the statement of financial position date and is computed on a pro-rata basis.

Notes to the Consolidated Financial Statements

Year ended June 30, 2014

(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

2.7 Insurance contracts (continued)

(a) Recognition and measurement (continued)

Long-term insurance contracts

These contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when they are incurred. A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the benefit payments that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits based on the valuation assumptions used (the valuation premiums). The expected discounted value is based on assumptions as to mortality and future interest rates that are established at the statement of financial position date. Long term insurance contracts include the following:

Term life contracts

These contracts are generally issued for fixed terms and provide payment of a known sum in the event of the death of the policyholder. The main risk is the premature death of the policyholder.

Annuity contracts

These are deferred annuity contracts. These contracts provide for payment of a regular income upon maturity of the contract.

(b) Liability adequacy test

At the year end, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to profit or loss by establishing a provision for losses arising from liability adequacy tests.

(c) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of comprehensive income. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for financial assets as described in Note 2.5.

(d) Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance assets. Contracts that do not meet these classification requirements are classified as financial assets.

Notes to the Consolidated Financial Statements
Year ended June 30, 2014
(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

2.7 Insurance contracts (continued)

(d) Reinsurance contracts held (continued)

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

In certain cases, a reinsurance contract is entered into retrospectively to reinsure a notified claim under the Group's property or casualty insurance contracts. Where the premium due to the reinsurer differs from the liability established by the Group for the related claim, the difference is amortised over the estimated remaining settlement period.

The Group assesses its reinsurance assets for impairment annually. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of comprehensive income. The Group gathers objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets as described in Note 2.6.

(e) Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (i.e. salvage). The Group may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation). These are recorded when received.

2.8 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2.9 Current and deferred income taxes

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income. In this case, the tax charge is calculated on the basis of the tax laws enacted at the year end.

Deferred income tax is recognised, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference will be utilised.

Notes to the Consolidated Financial Statements

Year ended June 30, 2014

(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

2.9 Current and deferred income taxes (continued)

The principal temporary differences arise from depreciation on property, plant and equipment, fair value gains on available for sale financial assets, unused tax losses, impairment provisions and the retirement benefit asset.

Corporation tax on short-term insurance business is charged at varying rates between 25% and 33% applicable on the respective profit for the year arising in each of the countries in which the Group operates.

2.10 Employee benefits

The Group operates a defined benefit and a defined contribution plan for its Barbados and Trinidad operations respectively.

Defined Benefit Plan

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The assets of the defined benefit plan are held in a separate trustee-administered fund. The pension plan is funded by payments from employees and by the Group, taking account of the recommendations of independent qualified actuaries.

The asset recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

The pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the statement of comprehensive income so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out an independent valuation of the plan every year. A full valuation is done on the pension plan every three years. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

Remeasurements of the net defined obligation are recognised directly within equity. The remeasurements include:

- Actuarial gains and losses
- Return on plan assets (interest exclusive)
- Any asset ceiling effects (interest exclusive)

Service costs are recognised in profit or loss, and include current and past service costs as well as gains and losses on curtailments.

Net interest expense (income) is recognised in profit or loss, and is calculated by applying the discount rate used to measure the defined benefit obligation (asset) at the beginning of the annual period to the balance of the net defined benefit obligation (asset), considering the effects of contributions and benefit payments during the period.

Gains or losses arising from changes to the pension plan benefits or the pension plan curtailment are recognised immediately in profit or loss.

Settlements of defined benefit plans are recognised in the period in which the settlement occurs.

Notes to the Consolidated Financial Statements

Year ended June 30, 2014

(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

2.10 Employee benefits (continued)

Defined Contribution Plan

A defined contribution plan is a pension plan under which the Group pays a fixed contribution. The Group's contributions are charged in the statement of comprehensive income for the year. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's contributions to these plans amount to 7.15% to 7.75% of the individuals' earnings. These are accounted for on the accruals basis.

Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.11 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses. When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the obligation.

2.12 Revenue recognition

(i) Premium income

Revenue from premium income is recognised in accordance with Note 2.7.

(ii) Commission income

Commission income relates to commissions received on reinsurance contracts. This is calculated by a combination of a flat brokerage fee or a percentage of business ceded. These amounts are recognised on the accruals basis.

(iii) Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

(iv) Dividend income

Dividend income from equities is recognised when the right to receive payment is established.

2.13 Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Board of Directors of the Group.

Notes to the Consolidated Financial Statements

Year ended June 30, 2014

(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

2.14 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property, plant and equipment and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Prepaid lease rentals are amortised over the lease term on a straight line basis.

2.15 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Transfers to share capital for which shares have not yet been issued are reflected as contributed capital.

2.16 Investment in subsidiary

Subsidiaries are all entities (including Special Purpose Entities) over which the Group directly or indirectly, has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are accounted for at cost less impairment in these unconsolidated financial statements.

2.17 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

2.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.20 Commissions paid

The Group pays commissions to its agents or brokers based on rates agreed with the respective party. These are reflected as 'expenses for the acquisition of insurance contracts' in the statement of comprehensive income.

Notes to the Consolidated Financial Statements
Year ended June 30, 2014
(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

2.21 Short term deposits

Fixed deposits of one (1) year or less and Government Short-Term treasury bills of between 91 days and one (1) year duration are classified as Short term deposits. Short term deposits are recognised at cost.

2.22 Operating and administrative expenses

Operating and administrative expenses are generally recognised on an accrual basis.

2.23 Other assets

Other assets are generally measured at amortised cost.

3. Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial 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.

3.1 Estimates arising from insurance liabilities

(a) Claims reported and loss adjustment expenses under short-term insurance contracts

The estimation of the liability arising from claims made under insurance contracts is one of the Group's accounting estimates. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims. In estimating the liability for the outstanding claims, the Group considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. If this reserve was to increase by 5%, this would result in an increase in the insurance liabilities of $6,105,677 (2013: $5,074,077) and a fall in profit before tax of $1,969,266 (2013: $1,803,079).

(b) Estimate of future benefit payments and premiums arising from long term insurance contracts

The liabilities under long-term insurance contracts are determined using the policy premium method. The liabilities are calculated as the expected present value of future benefit payments less future valuation premiums. The mortality rates are based on 1986-92 Canadian Institute of Actuaries mortality tables and interest rate assumptions are based on the past performance of the Company. If this reserve was to increase by 5%, this would result in an increase in the insurance liabilities of $114,648 (2013: $97,423) and a fall in profit before tax of $106,640 (2013: $89,816).

(c) Claims incurred but not reported

In estimating the ultimate liability arising from insurance contracts, the Group makes certain assumptions regarding claims arising during the current year which have not been reported as at the year end. These estimates are based on historical experience as well as statistical analyses. If the value of claims reported after the year end which related to the current year was to increase by 5% compared to managements estimate, this would result in an increase in the liabilities due under insurance contracts of $2,839,678 (2013: $2,002,798) and a fall in profit before tax of $1,443,533 (2013: $993,591).

Notes to the Consolidated Financial Statements
Year ended June 30, 2014
(Expressed in Trinidad and Tobago Dollars)

3. Critical Accounting Estimates and Judgments in Applying Accounting Policies (continued)

3.1 Estimates arising from insurance liabilities (continued)

(d) Unearned premiums

The Group estimates at the end of each financial year the value of premium income billed during the year which has not been earned by the Group as at the year end. These estimates are based on the inception dates of the policies as well as the types of policies being issued. If this reserve were to increase by 5%, this would result in an increase in the insurance liabilities of $7,290,122 (2013: $6,621,383) and a fall in profit before tax of $3,317,704 (2013:$3,124,449).

3.2 Impairment of loans and receivables

The Group assesses at the year end whether its loans and receivables are impaired. Management reviews the ageing of these receivables as well as the creditworthiness of the debtors in estimating these impairment provisions. If the value of doubtful debts was to increase by 5% from management's estimate, this would result in an increase in the provision for doubtful debts and a fall in profit before tax by $337,070 (2013: $283,462).

3.3 Estimation of fair values for available for sale financial assets

In estimating the fair values of available for sale financial assets, management utilizes various assumptions and valuation techniques such as discounted cash flow analyses and reference to recent prices of similar financial instruments for the valuation of its unquoted instruments. If the fair value gains/(losses) were to increase by 5%, this would result in a movement in other comprehensive income of $2,929,013 (2013: $2,837,730).

3.4 Pension and post retirement benefits

The cost of these benefits and the present value of the pension liability depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net periodic cost (income) for pension and post-retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost (income) recorded for pension and post-retirement benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The Group determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and post-retirement benefit obligations. In determining the appropriate discount rate, the Group considered interest rates of high-quality corporate bonds and in their absence government bonds that have terms to maturity approximating the terms of the related pension liability. If the pension obligation were to increase by 5%, this would result in a movement in other comprehensive income $165,499 (2013: $159,689).

4. Management of Insurance and Financial Risk

4.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

Notes to the Consolidated Financial Statements
Year ended June 30, 2014
(Expressed in Trinidad and Tobago Dollars)

4. Management of Insurance and Financial Risk (continued)

4.1 Insurance risk (continued)

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Insurance risk arises from:

- Fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations.
- Unexpected claims arising from a single source.
- Inaccurate pricing of risk when underwritten.
- Inadequate reinsurance protection or other risk transfer techniques
- Inadequate reserving for claim liabilities

4.1.1 Motor, casualty and property insurance risks

i) Frequency and severity of claims

The frequency and severity of casualty claims can be affected by several factors. The most significant incidents of casualty claims is monetary awards granted for bodily injury suffered by employees (for employer's liability/workmen's compensation coverage) or members of the public (for public liability coverage).

The frequency and severity of property claims can also be affected by several factors. Climatic changes give rise to more frequent losses (for example, windstorms/hurricane, flooding, subsidence/landslip and earthquakes). The greatest likelihood of significant losses on these contracts arises from earthquake, windstorm or flood damage.

The Group manages the risks on motor, casualty and property insurance through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy is agreed by an executive committee and communicated by specific policy statements and guidelines. Policies and procedures exist for underwriting, claims management, reinsurance and reserving and operate within the company's risk management framework.

Mechanisms are in place in each of the business units to identify, quantify and manage accumulated exposures within the limits of the Group's risk appetite. Reinsurance is used to assist in reducing the financial impact of a catastrophe and to reduce the volatility of earnings. Reinsurance purchases are reviewed annually to check that the levels of protection being purchased match developments in exposure. Reinsurance arrangements are only placed with providers who meet the Group's counterparty credit risk standards.

The adequacy of the general insurance reserves is ultimately approved by the executive committee who maintains a general insurance reserving policy and regularly monitors its adequacy.

Notes to the Consolidated Financial Statements
Year ended June 30, 2014
(Expressed in Trinidad and Tobago Dollars)

4. Management of Insurance and Financial Risk (continued)

4.1 Insurance risk (continued)

4.1.1 Motor, casualty and property insurance risks (continued)

i) Frequency and severity of claims (continued)

Factors that aggregate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The Group manages the concentration of insurance risk using geographical segregation as follows:

Sum insured as at June 30, 2014 (all amounts in Trinidad and Tobago $)

	Motor and Casualty	Property	Total	%
Trinidad	4,228,095,702	13,049,038,274	17,277,133,976	75%
Barbados	140,493,028	1,566,320,553	1,706,813,581	7%
Dominica	130,842,818	850,022,516	980,865,334	4%
Grenada	244,474,130	1,244,463,916	1,488,938,046	6%
St. Lucia	41,270,147	92,464,680	133,734,827	1%
St. Vincent	89,869,508	536,466,851	626,336,359	3%
St. Kitts	171,111,336	670,317,865	841,429,201	4%
Total	**$5,046,156,669**	**$18,009,094,655**	**$23,055,251,324**	**100%**

The sums insured noted above do not include third party coverage.

Sum insured as at June 30, 2013 (all amounts in Trinidad and Tobago $)

	Motor and Casualty	Property	Total	%
Trinidad	3,747,958,134	12,343,507,125	16,091,465,259	72%
Barbados	155,243,134	2,304,605,543	2,459,848,677	11%
Dominica	135,786,079	840,766,718	976,552,797	4%
Grenada	221,866,456	1,229,762,454	1,451,628,910	6%
St. Lucia	82,549,665	537,368,406	619,918,071	3%
St. Vincent	162,140,184	579,847,218	741,987,402	3%
St. Kitts	26,811,361	123,330,450	150,141,811	1%
Total	**$4,532,355,013**	**$17,959,187,914**	**$22,491,542,927**	**100%**

The sums insured noted above do not include third party coverage.

ii) Sources of uncertainty in the estimation of future claim payments

Claims on motor and casualty contracts are payable on a claims-occurrence basis. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees or members of the public. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risk of the business activities carried out by individual contract holders and the risk management procedures they adopted. Liability limits on policies are subject to legislation limits and the Group reduces its exposure through a motor and casualty reinsurance treaty. All claims under litigation are separately monitored by the executive management team and subject to periodical reviews with legal representatives.

An increase of 5% in the cost of settling motor and casualty claims would increase the liabilities due under these insurance contracts for the year by $3,736,317 (2013: $3,034,039).

Notes to the Consolidated Financial Statements
Year ended June 30, 2014
(Expressed in Trinidad and Tobago Dollars)

4. Management of Insurance and Financial Risk (continued)

4.1 Insurance risk (continued)

4.1.1 Motor, casualty and property insurance risks (continued)

ii) Sources of uncertainty in the estimation of future claim payments (continued)

The estimated cost of claims includes direct expenses to be incurred in settling claims. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liabilities for these contracts comprise a provision for claims incurred but not reported (IBNR).

Claim cases are continuously re-evaluated based on new information and developments.

Property claims have a shorter settlement period. As a result claim estimation is based on loss ratio trends and the prevailing economic climate the Group operates in.

An increase of 5% in the cost of settling property claims would increase the liabilities due under these insurance contracts for the year $3,105,464 (2013: $2,854,409).

Note 15 presents the development of the estimate of ultimate claim cost for claims notified in a given year.

4.2 Financial risk

The Group is exposed to financial risk mainly through its financial assets, financial liabilities and reinsurance assets. In particular the key financial risk is that the proceeds from the Group's financial assets are not sufficient to fund the obligations arising from its financial liabilities and insurance contracts. The most important components of financial risk are market risk, credit risk and liquidity risk.

4.2.1 Credit risk

The Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries;
- amounts due on available for sale financial assets; and
- amounts due on its cash holdings and short term deposits.

The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty. Such risks are subject to an annual or more frequent review. Impairment provisions are established for losses that have been incurred at the year end.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The Group mainly utilizes international reinsurers with an A+ or higher rating (AM Best or Standard and Poor's). The reinsurers' ratings are reviewed periodically and annually prior to renewal of reinsurance treaty arrangements.

Notes to the Consolidated Financial Statements
Year ended June 30, 2014
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4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.1 Credit risk (continued)

Loans and receivables comprise primarily amounts due from insurance contracts holders and intermediaries, mortgage loans and amounts due from reinsurers. For policyholders, credit is restricted and regulated in accordance with corporate credit policy. Through a process of internal audit and management reviews of ageing analysis on a monthly basis, creditworthiness is monitored and the Group reserves its right to effect cancellation on the unexpired portion of the risks. All loans are subject to individual credit assessment.

Debt securities comprise primarily Government or Government backed bonds and corporate bonds with reputable financial institutions.

Short term deposits and cash and cash equivalents include cash, short term fixed deposits of one (1) year or less, mutual funds placed with reputable leading regional financial institutions and Government Short-Term treasury bills of between 91 and 181 days duration.

There were no changes from the prior year in the Group's objectives, policies or procedures for managing credit risk.

(i) Assets bearing credit risk

Below is an analysis of assets bearing credit risk:

As at June 30, 2014

	Neither past due nor impaired	**Past due but not impaired**	**Impaired**	**Total**
Financial assets				
- debt securities	58,580,252	-	-	58,580,252
- gross loans and receivables	33,994,562	38,858,432	5,944,095	78,797,089
Less provision for doubtful debts	-	-	(5,944,095)	(5,944,095)
Reinsurance assets	190,259,645	-	-	190,259,645
Other assets	680,756	5,105,093	797,303	6,583,152
Less provision for doubtful debts	-	-	(797,303)	(797,303)
Short term deposits	44,912,916	-	-	44,912,916
Cash and cash equivalents	76,801,561	-	-	76,801,561
Total	**$405,229,692**	**$43,963,525**	**$ -**	**$449,193,217**

Notes to the Consolidated Financial Statements
Year ended June 30, 2014
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4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.1 Credit risk (continued)

(i) Assets bearing credit risk (continued)

As at June 30, 2013

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Financial assets				
- debt securities	56,754,594	-	-	56,754,594
- gross loans and receivables	29,672,109	33,680,396	5,065,377	68,417,882
Less provision for doubtful debts	-	-	(5,065,377)	(5,065,377)
Reinsurance assets	155,694,908	-	-	155,694,908
Other assets	985,970	3,428,037	603,868	5,017,875
Less provision for doubtful debts	-	-	(603,868)	(603,868)
Short term deposits	43,707,978	-	-	43,707,978
Cash and cash equivalents	51,107,604	-	-	51,107,604
Total	**$337,923,163**	**$37,108,433**	**$ -**	**$375,031,596**

The Company currently holds collateral in the sum of $2,736,691 (2013: $7,821,691) as security for its mortgage loans issued. Financial assets that are past due are assessed for impairment based on the credit worthiness of the debtor, historical payment patterns and the amounts received subsequent to the year end.

(ii) Financial assets past due but not impaired

Financial assets that are past due but not impaired were assessed for impairment based on the credit worthiness of the debtor, historical payment patterns and the amounts received subsequent to the year end and were considered not to be impaired.

As at June 30, 2014

	30 - 60 Days	Between 60 – 90 Days	Over 90 Days	Total
Financial assets				
- loans and receivables	19,353,165	9,059,074	10,446,193	38,858,432
Other assets	5,105,093	-	-	5,105,093
Total	**$24,458,258**	**$9,059,074**	**$10,446,193**	**$43,963,525**

As at June 30, 2013

	30 - 60 Days	Between 60 – 90 Days	Over 90 Days	Total
Financial assets				
- loans and receivables	21,838,684	10,525,131	1,316,581	33,680,396
Other assets	3,428,037	-	-	3,428,037
Total	**$25,266,721**	**$10,525,131**	**$1,316,581**	**$37,108,433**

Notes to the Consolidated Financial Statements
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4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.1 Credit risk (continued)

(iii) Impaired financial assets and movement in provision for doubtful debts

	2014	2013
At beginning of year	5,669,245	7,475,041
Increase/(decrease) in provision for the year	1,072,153	(1,805,796)
At end of year	**$6,741,398**	**$5,669,245**

The above balances are reflected within the other assets and loans and receivables balances as at the year end.

(iv) Concentration of credit risk

The Group analyses its concentration of credit risk by geographical location as follows:

As at June 30, 2014

	Trinidad and Tobago	Barbados	Eastern Caribbean	Total
Financial assets				
- debt securities	29,626,744	4,318,380	24,635,128	58,580,252
- loans and receivables	55,510,355	2,963,252	14,379,387	72,852,994
Reinsurance assets	107,212,243	36,929,228	46,118,174	190,259,645
Other assets	5,033,599	326,591	425,659	5,785,849
Short term deposits	26,788,172	7,695,750	10,428,994	44,912,916
Cash and cash equivalents	50,054,964	1,761,017	24,985,580	76,801,561
Total	**$274,226,077**	**$53,994,218**	**$120,972,922**	**$449,193,217**

As at June 30, 2013

	Trinidad and Tobago	Barbados	Eastern Caribbean	Total
Financial assets				
- debt securities	30,016,614	2,038,730	24,699,250	56,754,594
- loans and receivables	46,412,478	5,214,261	11,725,766	63,352,505
Reinsurance assets	77,626,023	36,105,408	41,963,477	155,694,908
Other assets	3,067,221	530,215	816,571	4,414,007
Short term deposits	24,500,000	7,695,750	11,512,228	43,707,978
Cash and cash equivalents	29,153,344	1,872,822	20,081,438	51,107,604
Total	**$210,775,680**	**$53,457,186**	**$110,798,730**	**$375,031,596**

Notes to the Consolidated Financial Statements
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4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.1 Credit risk (continued)

(v) Credit quality of financial assets

The credit quality of financial assets is measured on a group basis. Banks and financial institutions with an independent external minimum rating of 'BBB' are accepted as well as reinsurers with a minimum rating of 'A'. Where customers bearing credit risk are independently rated, these ratings are used. In instances where there is no independent rating, the credit quality of the customer is assessed by taking into account their financial position, past experience and other factors.

As at June 30, 2014

	A	BBB	BB or below	No ratings assigned	Total
Financial assets					
- debt securities	39,971,525	11,531,560	2,035,140	5,042,027	58,580,252
- loans and receivables	5,412,033	-	-	67,440,961	72,852,994
Reinsurance assets	190,259,645	-	-	-	190,259,645
Other assets	-	-	-	5,785,849	5,785,849
Short term deposits	11,000,000	6,078,947	-	27,833,969	44,912,916
Cash and cash equivalents	29,452,279	18,707,786	-	28,641,496	76,801,561
Total	**$276,095,482**	**$36,318,293**	**$2,035,140**	**$134,744,302**	**$449,193,217**

As at June 30, 2013

	A	BBB	BB or below	No ratings assigned	Total
Financial assets					
- debt securities	40,763,068	3,955,200	9,899,308	2,137,018	56,754,594
- loans and receivables	1,733,986	-	-	61,618,519	63,352,505
Reinsurance assets	155,694,908	-	-	-	155,694,908
Other assets	-	-	-	4,414,007	4,414,007
Short term deposits	24,500,000	8,350,450	-	10,857,528	43,707,978
Cash and cash equivalents	13,380,040	23,151,016	-	14,576,548	51,107,604
Total	**$236,072,002**	**$35,456,666**	**$9,899,308**	**$93,603,620**	**$375,031,596**

4.2 2 Liquidity risk

The Group is exposed to regular demands on its available cash resources. Liquidity risk is the risk that the Group may not be able to pay obligations when they fall due. The Group employs various asset/liability techniques to manage its liquidity risks. These include matching the maturity profile of its assets and liabilities and maintaining short term assets to meet its funding requirements at any point in time. The techniques used vary with market conditions.

The following table analyses financial assets and liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

The analysis below shows the maturity profile of financial assets based on contractual discounted cashflows; the maturity profile of financial liabilities using contractual undiscounted cashflows; and the maturity profile of insurance liabilities using expected discounted cashflows.

Notes to the Consolidated Financial Statements
Year ended June 30, 2014
(Expressed in Trinidad and Tobago Dollars)

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.2 Liquidity risk (continued)

As at June 30, 2014

	Up to One Year	One to Five Years	Over Five Years	Total
Assets				
Financial assets				
- available for sale	19,152,932	35,816,748	16,618,503	71,588,183
- loans and receivables	69,015,354	3,190,970	621,113	72,827,437
Reinsurance assets	186,842,930	3,416,715	-	190,259,645
Other assets	5,785,849	-	-	5,785,849
Short term deposits	44,912,916	-	-	44,912,916
Cash and cash equivalents	76,801,561	-	-	76,801,561
Total	**$402,511,542**	**$42,424,433**	**$17,239,616**	**$462,175,591**
Liabilities				
Insurance liabilities	319,858,430	11,836,721	-	331,695,151
Bank overdraft	32,442	-	-	32,442
Reinsurance payable	54,007,540	-	-	54,007,540
Trade and other payables	28,254,449	-	-	28,254,449
Total	**$402,152,861**	**$11,836,721**	**$ -**	**$413,989,582**

As at June 30, 2013

	Up to One Year	One to Five Years	Over Five Years	Total
Assets				
Financial assets				
- available for sale	15,691,350	39,063,149	18,539,967	73,294,466
- loans and receivables	58,544,558	4,432,659	390,239	63,367,456
Reinsurance assets	152,783,243	2,911,665	-	155,694,908
Other assets	4,414,007	-	-	4,414,007
Short term deposits	43,707,978	-	-	43,707,978
Cash and cash equivalents	51,107,604	-	-	51,107,604
Total	**$326,248,740**	**$46,407,473**	**$18,930,206**	**$391,586,419**
Liabilities				
Insurance liabilities	267,644,494	11,890,295	-	279,534,789
Bank overdraft	629,024	-	-	629,024
Reinsurance payable	31,922,955	-	-	31,922,955
Trade and other payables	25,209,585	-	-	25,209,585
Total	**$325,406,058**	**$11,890,295**	**$ -**	**$337,296,353**

There were no changes in the objectives, policies or procedures for managing liquidity risk from the prior year.

Notes to the Consolidated Financial Statements
Year ended June 30, 2014
(Expressed in Trinidad and Tobago Dollars)

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Market risk

Market risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate as a result of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

a) Fair value and cash flow interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position, financial performance and future cash flows. Fair value interest rate risk is the risk that the fair values of a financial instrument will fluctuate because of changes in the market interest rates. Cash flow interest rate risk is the risk that the future cashflows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from its available for sale financial assets and its loans and receivables. The Group has no significant borrowing and interest servicing debts and therefore is not subject to significant interest rate risk on its financial liabilities.

The Group employs various asset/liability techniques to manage interest rate risks. These techniques include managing the composition of the portfolio between fixed and floating rate instruments and regularly reviewing the market values of its available for sale financial assets. The Group's treasury management strategy is focused towards short-term investment instruments including fixed deposit, government short-term treasury bills and mutual funds with maturity terms of 1 year or less. For investments with maturities exceeding one (1) year, opportunities for variable interest rate instruments are sourced as a preferred investment.

There were no changes in the objectives, policies or procedures for managing interest rate risk from the prior year.

(i) Cash flow interest rate risk

The table below summarises the Group's exposure to cashflow interest rate risk.

As at June 30, 2014

	Carrying Value	1% Movement in Interest Rates
Available for sale financial assets	$1,237,900	$12,379
Short term deposits	$44,912,916	$449,129
Cash and cash equivalents	$76,801,561	$768,016

As at June 30, 2013

	Carrying Value	1% Movement in Interest Rates
Available for sale financial assets	$1,232,750	$12,328
Short term deposits	$43,707,978	$437,080
Cash and cash equivalents	$51,107,604	$511,076

Notes to the Consolidated Financial Statements
Year ended June 30, 2014
(Expressed in Trinidad and Tobago Dollars)

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Market risk (continued)

a) Fair value and cash flow interest rate risk (continued)

(ii) Fair value interest rate risk

The table below summarises the Group's exposure to fair value interest rate risk.

As at June 30, 2014

	Carrying Value	Fair Value
Available for sale financial assets	$66,869,641	$66,869,641
Mortgage and other loans	$3,033,991	$3,020,982

As at June 30, 2013

	Carrying Value	Fair Value
Available for sale financial assets	$65,272,489	$65,272,489
Mortgage and other loans	$3,515,952	$3,477,803

b) Currency risk

The Group takes on exposure due to the effects of fluctuations in the prevailing foreign exchange rates on its financial positions, financial performance and cash flows. The strategy for dealing with currency risks is to match foreign currency liabilities with assets denominated in the same currency.

Notes to the Consolidated Financial Statements
Year ended June 30, 2014
(Expressed in Trinidad and Tobago Dollars)

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Market risk (continued)

b) Currency risk (continued)

The table below summarises the Group's significant currency positions for currency other than Trinidad and Tobago dollars (expressed in Trinidad and Tobago dollars):

As at June 30, 2014

	EC	Barbados	Other	Total
Assets				
Financial assets				
- available for sale	24,635,128	5,177,242	11,095,953	40,908,323
- loans and receivables	14,379,387	2,963,252	-	17,342,639
Reinsurance assets	46,118,174	36,929,228	-	83,047,402
Other assets	425,659	326,591	-	752,250
Short term deposits	10,428,994	7,695,750	-	18,124,744
Cash and cash equivalents	24,985,580	1,761,017	4,901,076	31,647,673
Total assets	120,972,922	54,853,080	15,997,029	191,823,031
Liabilities				
Insurance liabilities	72,461,949	53,483,351	-	125,945,300
Bank overdraft	32,442	-	-	32,442
Reinsurance payable	5,801,341	1,268,142	-	7,069,483
Trade and other payables	9,535,495	2,062,055	-	11,597,550
Total liabilities	87,831,227	56,813,548	-	144,644,775
Net currency gap	**$33,141,695**	**$(1,960,468)**	**$15,997,029**	**$47,178,256**
Effect of 1% change in exchange rates on statement of comprehensive income	$331,417	$(19,605)	$159,970	$471,783

Notes to the Consolidated Financial Statements
Year ended June 30, 2014
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4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Market risk (continued)

b) Currency risk (continued)

As at June 30, 2013

	EC	Barbados	Other	Total
Assets				
Financial assets				
- available for sale	24,699,250	2,843,673	11,523,816	39,066,739
- loans and receivables	11,725,766	5,214,261	-	16,940,027
Reinsurance assets	41,941,399	36,105,408	-	78,046,807
Other assets	816,571	530,215	-	1,346,786
Short term deposits	11,512,228	7,695,750	-	19,207,978
Cash and cash equivalents	20,081,438	1,872,822	5,845,221	27,799,481
Total assets	110,776,652	54,262,129	17,369,037	182,407,818
Liabilities				
Insurance liabilities	66,902,846	53,101,763	-	120,004,609
Bank overdraft	145,637	-	-	145,637
Reinsurance payable	3,224,398	1,972,564	-	5,196,962
Trade and other payables	8,071,277	1,709,018	-	9,780,295
Total liabilities	78,344,158	56,783,345	-	135,127,503
Net currency gap	**$32,432,494**	**$(2,521,216)**	**$17,369,037**	**$47,280,315**
Effect of 1% change in exchange rates on statement of comprehensive income	$324,325	$(25,212)	$173,690	$472,803

Included in the 'Other' category are assets held in Canadian Dollars and United States Dollars.

Management believes a 1% deviation to be reasonable given the current and expected economic conditions in the locations in which the Group operates. There were no change in the objectives, policies or procedures for managing currency risk from the prior year.

c) Other price risk

The table below summarises the Group's exposure to other price risk.

As at June 30, 2014

	Carrying Value	Effect on Equity of a 5% Change
Equities		
Listed	9,527,289	476,364
	$9,527,289	**$476,364**

Notes to the Consolidated Financial Statements
Year ended June 30, 2014
(Expressed in Trinidad and Tobago Dollars)

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Market risk (continued)

d) Other price risk

As at June 30, 2013

	Carrying Value	Effect on Equity of a 5% Change
Equities		
Listed	9,750,648	487,532
	$9,750,648	**$487,532**

Management believes a 5% deviation to be reasonable given the current and expected economic conditions in the locations in which the Group operates. There were no changes in the objectives, policies or procedures for managing other price risk from the prior year.

4.2.4 Financial instruments by category

The table below summarizes the carrying value of the Group's financial instruments and their fair values as at the year end.

As at June 30, 2014

Financial Instrument	Carrying Value $	Fair Value $
Financial Assets		
Available for sale		
Debt securities	58,580,252	58,580,252
Equities	9,527,289	9,527,289
	$68,107,541	**$68,107,541**
Loans and receivables		
Loans and receivables	72,852,994	72,839,985
Reinsurance assets	190,259,645	190,259,645
Other assets	5,785,849	5,785,849
Short term deposits	44,912,916	44,912,916
Cash and cash equivalents	76,801,561	76,801,561
	$390,612,965	**$390,599,956**
Financial Liabilities		
Financial liabilities at amortised cost		
Insurance liabilities	331,695,151	331,695,151
Bank overdraft	32,442	32,442
Reinsurance payable	54,007,540	54,007,540
Trade and other payables	28,254,449	28,254,449
	$413,989,582	**$413,989,582**

Notes to the Consolidated Financial Statements
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4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.4 Financial instruments by category (continued)

As at June 30, 2013

Financial Instrument	Carrying Value $	Fair Value $
Financial Assets		
Available for sale		
Debt securities	56,754,594	56,754,594
Equities	9,750,645	9,750,645
	$66,505,239	**$66,505,239**
Loans and receivables		
Loans and receivables	63,352,505	63,352,505
Reinsurance assets	155,694,908	155,694,908
Other assets	4,414,007	4,414,007
Short term deposits	43,707,978	43,707,978
Cash and cash equivalents	51,107,604	51,107,604
	$318,277,002	**$318,277,002**
Financial Liabilities		
Financial liabilities at amortised cost		
Insurance liabilities	279,534,789	279,534,789
Bank overdraft	629,024	629,024
Reinsurance payable	31,922,955	31,922,955
Trade and other payables	25,209,585	25,209,585
	$337,296,353	**$337,296,353**

The fair value of financial instruments is determined as follows:

a) Debt Securities and Equities

The fair values of quoted investments are based on the last traded prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

b) Loans and Receivables

The fair value was determined based on the present value of future cash flows using current market interest rates.

c) Reinsurance Assets

The carrying value on these reinsurance assets are a close approximation to the fair value of these assets as these amounts represents the reinsurance assets on the related undiscounted insurance liabilities for which the settlement date is uncertain.

d) Other Financial Assets and Liabilities

These balances are short term and as a result, carrying value is a close approximation to fair value.

Notes to the Consolidated Financial Statements
Year ended June 30, 2014
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4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.5 Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible. There were no transfers between the levels during the year ended June 30, 2014 (2013: nil).

As at June 30, 2014

	Level 1	Level 2	Level 3	Total
Assets				
Financial Assets				
- Available for sale	$9,527,289	$58,580,252	$ -	$68,107,541

As at June 30, 2013

	Level 1	Level 2	Level 3	Total
Assets				
Financial Assets				
- Available for sale	$9,750,645	$56,754,594	$ -	$66,505,239

4.2.6 Capital Management

The Group manages its shareholders' equity of $104,613,834 (2013: $101,605,807) as capital.

The Group's objectives when managing capital are:

- To comply with the capital requirements required by the regulators of the insurance markets where the Group operates.
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.
- To provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

Notes to the Consolidated Financial Statements

Year ended June 30, 2014

(Expressed in Trinidad and Tobago Dollars)

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.6 Capital Management (continued)

In each country in which the Group operates, the local insurance regulator specifies the minimum amount and type of capital that must be held in relation to their insurance liabilities. The minimum required capital must be maintained at all times throughout the year. The Group is subject to insurance solvency regulations in all the territories in which it issues insurance contracts. These solvency regulations require the Group and its individual branches in each territory to maintain a surplus of assets over liabilities greater than a specific percentage of its net premium income. The percentage differs in each territory. The Group has embedded in its compliance framework the necessary tests to ensure continuous and full compliance with such regulations.

In the current year, the Group met its objectives for managing capital. There were no changes in the objectives, capital base or policies for capital management from the prior year.

5. Property, Plant and Equipment

	Leasehold Property	Freehold Properties	Furniture and Fittings	Office Equipment	Vehicles and Computer Equipment	Total
Year ended June 30, 2014						
Opening net book amount	7,529,536	12,156,182	2,471,987	973,742	9,258,882	32,390,329
Additions	-	-	427,058	257,160	5,506,508	6,190,726
Disposals	-	-	(5,991)	(13,126)	(312,865)	(331,982)
Depreciation charge	(150,591)	(100,861)	(339,848)	(217,974)	(2,956,655)	(3,765,929)
Closing net book amount	**$7,378,945**	**$12,055,321**	**$2,553,206**	**$999,802**	**$11,495,870**	**$34,483,144**
At June 30, 2013						
Cost	8,000,000	13,212,707	5,546,844	3,746,374	34,437,798	64,943,723
Accumulated depreciation	(621,055)	(1,157,386)	(2,993,638)	(2,746,572)	(22,941,928)	(30,460,579)
Net book amount	**$7,378,945**	**$12,055,321**	**$2,553,206**	**$999,802**	**$11,495,870**	**$34,483,144**
Year ended June 30, 2013						
Opening net book amount	7,683,200	12,254,085	2,439,344	1,080,656	12,193,300	35,650,585
Additions	-	-	369,201	118,367	820,791	1,308,359
Disposals	-	-	-	-	(825,103)	(825,103)
Depreciation charge	(153,664)	(97,903)	(336,558)	(225,281)	(2,930,106)	(3,743,512)
Closing net book amount	**$7,529,536**	**$12,156,182**	**$2,471,987**	**$973,742**	**$9,258,882**	**$32,390,329**
At June 30, 2013						
Cost	8,000,000	12,894,769	5,125,662	3,502,339	30,098,520	59,621,290
Accumulated depreciation	(470,464)	(738,587)	(2,653,675)	(2,528,597)	(20,839,638)	(27,230,961)
Net book amount	**$7,529,536**	**$12,156,182**	**$2,471,987**	**$973,742**	**$9,258,882**	**$32,390,329**

As disclosed in Note 6, the leasehold interest in the property was acquired from CGH Limited.

Bank borrowings are secured on land and buildings for the value of $9,000,000 (2013: $9,000,000) (Note 17).

Notes to the Consolidated Financial Statements
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6. Prepaid Lease Rentals

	2014	2013
Opening balance	21,301,933	21,619,872
Less: Amortisation for the year	(317,939)	(317,939)
Closing balance	**$20,983,994**	**$21,301,933**

In June 2010, the Group acquired a leasehold interest in land and buildings totalling $30.2 million from CGH Limited. Included in property, plant and equipment is an amount of approximately $7.4 million (2013: approximately $7.5 million) representing the Company's leasehold interest in the buildings (See Note 5). The leasehold interest in the land of approximately $20.9 million (2013: approximately $21.3 million) is included under prepaid lease rentals. The consideration paid by the Company for the acquisition of this leasehold interest was the issuance of 27,000,000 ordinary shares at $1 each and a payment of $3,000,000 in cash to CGH Limited. These prepaid lease payments are amortised over the unexpired lease term of 70 years.

7. Retirement Benefit Asset

	2014	2013
Retirement Benefit Asset	**$1,272,128**	**$1,406,960**
Amounts recognised in the statement of financial position are as follows:		
Fair value of plan assets	4,582,107	4,556,712
Present value of funded obligations	(3,309,979)	(3,193,781)
	1,272,128	1,362,931
Unrecognised actuarial gains	-	44,029
Retirement Benefit Asset	**$1,272,128**	**$1,406,960**
Movement in the retirement benefit asset recognised over the year is as follows:		
Beginning of the year	1,406,960	1,476,139
Net pension expense	(92,426)	(70,816)
Contributions paid	1,624	1,637
Effect of change in accounting standard	(44,030)	-
At end of year	**$1,272,128**	**$1,406,960**
Movement in the present value of funded obligation for the year is as follows:		
Beginning of year	3,193,781	2,799,145
Interest cost	250,697	217,112
Current service cost	174,769	175,618
Benefit payments	(48,763)	(156,820)
Actuarial (gains)/losses	(260,505)	158,726
At end of year	**$3,309,979**	**$3,193,781**

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7. Retirement Benefit Asset (continued)

	2014	2013
Movement in the fair value of plan assets for the year is as follows:		
Beginning of year	4,556,712	4,366,158
Expected return on plan assets	26,734	258,667
Company contributions	1,624	1,636
Employee contributions	45,799	45,072
Benefit payments	(48,763)	(156,820)
Actuarial gains	-	41,999
At end of year	**$4,582,106**	**$4,556,712**
Amounts recognised in the statement of comprehensive income:		
Current service cost	128,969	128,911
Company contributions	-	1,637
Interest cost	(91,007)	217,110
Expected return on plan assets	-	(258,667)
Net actuarial gains	-	(18,175)
Net pension expense	37,962	70,816
Other comprehensive income		
Expected return on plan assets	314,969	-
Net actuarial gains	(260,505)	-
	54,464	-
Net pension expense	**$92,426**	**$70,816**
Actual return on plan assets	**$26,734**	**$300,666**
The principal assumptions used in the actuarial valuation are as follows:		
Discount rate at end of year	7.5%	7.5%
Expected return on plan assets at end of year	6.0%	6.0%
Future salary increases	6.5%	6.5%
Future pension increases	3.0%	3.0%
Mortality – US Mortality tables	GAM94	GAM94

	2014	2013
The plan assets are invested in a managed fund held at Sagicor Life Inc.	**$4,582,106**	**$4,556,712**

The expected return on plan assets is calculated using an average of the assets at the start and end of the year multiplied by the expected percentage rate of return.

The expected contributions to post employment benefit plans for the year ending June 30, 2015 are $1,637.

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7. Retirement Benefit Asset (continued)

The assets of the defined benefit plan are invested in a Segregated Equity Fund (the "Fund") managed by Sagicor Life Inc. which is an unquoted Fund. The assets of the Fund are disaggregated into the following quoted and unquoted securities.

	% of Portfolio	
	2014	**2013**
Equities	66%	77%
Real estate	14%	10%
Bonds	7%	3%
Mortgages	2%	2%
Deposits	11%	8%

Sensitivity analysis

If the main assumptions were changed the present value of the obligation would be as follows:

	Present value of obligation	
	+ 0.50%	**-0.50%**
Discount rate	$975,432	$1,172,735
Salary increase and NIS increase	$1,118,205	$1,020,488

8. Financial Assets – Available For Sale

	2014	**2013**
Equities	14,078,889	14,302,245
Government bonds	16,776,495	21,856,410
Corporate bonds	41,803,757	34,898,184
Provision for impairment	(4,551,600)	(4,551,600)
	$68,107,541	**$66,505,239**

The movement in available for sale financial assets is summarised as follows:

At beginning of year	66,505,239	72,473,545
Additions	40,071,770	29,758,188
Disposals	(38,958,631)	(36,650,511)
Net realised gains on financial assets	397,580	
Net fair value change for the year	91,583	1,089,071
Impairment loss recognised for the year	-	(165,054)
At end of year	**$68,107,541**	**$66,505,239**

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9. Financial Assets – Loans and Receivables

	2014	2013
Mortgage and other loans	3,033,991	3,515,952
Amounts due from reinsurers	5,412,033	1,733,986
Amounts due from brokers	42,036,520	43,075,080
Amounts due from policyholders	22,370,450	15,027,487
	$72,852,994	**$63,352,505**
Current portion	71,119,888	61,345,589
Non-current portion	1,733,106	2,006,916
	$72,852,994	**$63,352,505**

10. Reinsurance Assets

	2014	2013
Current	186,842,930	152,783,243
Non-current	3,416,715	2,911,665
Total assets arising from reinsurance contracts (Note 15)	**$190,259,645**	**$155,694,908**

11. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 25%.

The movement in the deferred tax account is as follows:

	2014	2013
At beginning of year	(36,019)	(1,012,874)
(Credit)/charge to statement of comprehensive income (Note 22)	(745,740)	704,584
Charge to equity	9,280	272,271
At end of year	**$(772,479)**	**$(36,019)**

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 25%.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to the same entity. The following amounts are shown on the statement of financial position:

	2014	2013
Deferred income tax assets	(3,552,938)	(2,174,980)
Deferred income tax liabilities	2,780,459	2,138,961
	$(772,479)	**$(36,019)**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

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11. Deferred Income Taxes (continued)

Deferred income tax assets and liabilities and the deferred income tax charge in the statement of comprehensive income and other comprehensive income are attributable to the following items:

	Balance as at July 1, 2013	(Charge)/Credit to Statement of Comprehensive Income	Credit to Other Comprehensive Income	Balance as at June 30, 2014
Deferred income tax liabilities:				
Fair value gains on available for sale financial assets	754,818	-	22,896	777,714
Retirement benefit asset	351,740	(20,091)	(13,616)	318,033
Accelerated tax depreciation	1,032,293	652,419	-	1,684,712
	2,138,851	632,328	9,280	2,780,459
Deferred income tax assets:				
Impairment provision	(1,137,968)	-	-	(1,137,968)
Tax losses carried forward	(1,036,902)	(1,378,068)	-	(2,414,970)
	(2,174,870)	(1,378,068)	-	(3,552,938)
Net deferred income tax asset	**$(36,019)**	**$(745,740)**	**$9,280**	**$(772,479)**

	Balance as at July 1, 2012	(Charge)/Credit to Statement of Comprehensive Income	Credit to Other Comprehensive Income	Balance as at June 30, 2013
Deferred income tax liabilities:				
Fair value gains on available for sale financial assets	482,547	-	272,271	754,818
Retirement benefit asset	369,032	(17,292)	-	351,740
Accelerated tax depreciation	1,211,337	(179,044)	-	1,032,293
	2,062,916	(196,336)	272,271	2,138,851
Deferred income tax assets:				
Impairment provision	(1,096,638)	(41,330)	-	(1,137,968)
Tax losses carried forward	(1,979,152)	942,250	-	(1,036,902)
	(3,075,790)	900,920	-	(2,174,870)
Net deferred income tax asset	**$(1,012,874)**	**$704,584**	**$272,271**	**$(36,019)**

Notes to the Consolidated Financial Statements
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11. Deferred Income Taxes (continued)

	2014	2013
Deferred income tax liabilities:		
- to be realised after more than 12 months	2,161,748	2,335,124
- to be realised within 12 months	618,711	(196,273)
	$2,780,459	**$2,138,851**
Deferred income tax assets:		
- to be realised after more than 12 months	(3,552,938)	(2,208,249)
- to be realised within 12 months	-	33,379
	$(3,552,938)	**$(2,174,870)**

12. Short Term Deposits

	2014	2013
(i) At banks	18,172,276	14,317,338
(ii) Supervisor of Insurance	14,740,640	2,590,640
(iii) Treasury bills	12,000,000	26,800,000
	$44,912,916	**$43,707,978**

The amounts included in (ii) above represent cash deposits with the various Supervisors of Insurance held towards the Group's statutory deposits requirements. These deposits have an average effective interest rate of 2.15% (2012: 2.40%).

13. Share Capital

	2014	2013
Authorised		
Unlimited ordinary shares of no par value		
Issued and fully paid		
34,666,667 ordinary shares of no par value	**$39,000,000**	**$39,000,000**

14. Statutory Reserve

	2014	2013
Balance at beginning of year	12,119,995	11,561,380
Transfer from statement of comprehensive income	1,469,867	558,615
Balance at end of year	**$13,589,862**	**$12,119,995**

As required by section 171 of the Insurance Act 1980 of Trinidad and Tobago, at least 25% of the Company's profit for the year on its general insurance business is to be appropriated towards a reserve until such reserve equals or exceeds the liability in respect of outstanding unexpired policies.

Notes to the Consolidated Financial Statements

Year ended June 30, 2014

(Expressed in Trinidad and Tobago Dollars)

15. Insurance Liabilities and Reinsurance Assets

	2014	2013
Insurance liabilities – gross		
Short-term insurance contracts		
Claims reported and loss adjustment expenses	122,113,536	101,481,533
Claims incurred but not reported	56,793,564	40,055,959
Total insurance claims liability	178,907,100	141,537,492
Unearned premiums	145,802,441	132,427,655
Unexpired risks provision	4,692,656	3,621,176
Total unearned premiums and unexpired risk liability	150,495,097	136,048,831
Long-term insurance contracts		
- Annuities	1,767,028	1,561,277
- Term life	525,926	387,189
Total long-term insurance contracts	2,292,954	1,948,466
Total insurance liabilities - gross	**$331,695,151**	**$279,534,789**
Recoverable from reinsurers		
Short-term insurance contracts		
Claims reported and loss adjustment expenses	82,728,216	65,419,955
Claims incurred but not reported	27,922,908	20,184,139
Total insurance claims recoverable	110,651,124	85,604,094
Unearned premiums	79,448,370	69,938,675
Long-term insurance contracts	160,151	152,139
Total reinsurers' share of insurance liabilities	**$190,259,645**	**$155,694,908**
Insurance liabilities – net		
Short-term insurance contracts		
Claims reported and loss adjustment expenses	39,385,320	36,061,578
Claims incurred but not reported	28,870,656	19,871,820
Total insurance claims liability	68,255,976	55,933,398
Unearned premiums	66,354,071	62,488,980
Unexpired risks provision	4,692,656	3,621,176
Total unearned premiums and unexpired risk	71,046,727	66,110,156
Long-term insurance contracts		
- Annuities	1,767,028	1,561,277
- Term life	365,775	235,050
Total long-term insurance contracts	2,132,803	1,796,327
Total insurance liabilities - net	**$141,435,506**	**$123,839,881**
Current	131,248,472	113,299,974
Non-current	10,187,034	10,539,907
Total insurance liabilities - net	**$141,435,506**	**$123,839,881**

Notes to the Consolidated Financial Statements
Year ended June 30, 2014
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15. Insurance Liabilities and Reinsurance Assets (continued)

15.1 Assumptions, change in assumptions and sensitivity

(a) Development of claims

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The top half of each table below illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the statement of financial position. An accident year basis is considered to be most appropriate for the business written by the Group.

Accident year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
Insurance claims – gross											
- at end of accident year	113,700,369	55,810,534	37,690,542	72,907,389	81,482,914	99,820,089	122,928,407	134,868,085	142,157,203	162,124,076	
- one year later	114,693,994	44,149,836	27,787,420	62,589,912	58,975,229	74,494,606	95,048,645	118,797,744	99,399,316	-	
- two years later	115,694,834	46,320,506	27,518,540	60,540,860	57,528,297	75,895,017	95,036,022	119,587,895	-	-	
- three years later	116,100,506	35,432,675	27,158,485	58,820,268	57,353,722	75,577,495	94,940,353	-	-	-	
- four years later	115,968,219	35,342,110	25,172,650	55,301,338	56,756,202	74,383,176	-	-	-	-	
- five years later	116,514,035	36,010,471	25,274,112	52,116,770	57,673,102	-	-	-	-	-	
- six years later	117,094,530	35,969,085	25,199,412	52,153,119	-	-	-	-	-	-	
- seven years later	117,053,007	36,275,547	25,175,653	-	-	-	-	-	-	-	
- eight years later	117,369,035	36,393,934	-	-	-	-	-	-	-	-	
- nine years later	109,233,133	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims	109,233,133	36,393,934	25,175,653	52,153,119	57,673,102	74,383,176	94,940,353	119,587,895	99,399,316	162,124,076	831,063,757
Cumulative payments to date	(86,388,165)	(34,159,610)	(25,133,864)	(51,297,640)	(57,305,150)	(72,159,376)	(91,743,204)	(86,617,063)	(90,367,902)	(80,075,888)	(675,247,862)
	22,844,968	2,234,324	41,789	855,479	367,952	2,223,800	3,197,149	32,970,832	9,031,414	82,048,188	155,815,895
Liabilities in respect of years prior to 2005											23,091,205
Total insurance claims liability - gross											$178,907,100

Notes to the Consolidated Financial Statements
Year ended June 30, 2014
(Expressed in Trinidad and Tobago Dollars)

15. Insurance Liabilities and Reinsurance Assets (continued)

15.1 Assumptions, change in assumptions and sensitivity (continued)

(a) Development of claims (continued)

Accident year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
Insurance claims – net											
- at end of accident year	38,531,408	29,068,381	27,057,241	40,956,878	52,675,306	68,547,089	75,562,469	78,143,037	78,792,788	115,114,458	
- one year later	36,850,655	25,634,379	25,006,026	44,390,266	42,927,588	57,916,905	64,562,533	71,445,709	86,115,357	-	
- two years later	38,007,169	26,672,171	24,678,431	45,289,338	40,752,823	60,498,039	64,883,497	71,810,280	-	-	
- three years later	39,055,178	25,669,373	24,313,540	43,661,728	40,931,313	59,725,592	64,846,167	-	-	-	
- four years later	38,637,300	24,688,202	22,876,513	35,387,920	41,717,055	58,495,692	-	-	-	-	
- five years later	38,054,871	25,839,630	22,935,478	34,675,836	41,400,824	-	-	-	-	-	
- six years later	37,724,013	25,799,562	22,868,181	34,714,798	-	-	-	-	-	-	
- seven years later	36,740,286	26,107,929	22,844,853	-	-	-	-	-	-	-	
- eight years later	37,024,391	26,226,317	-	-	-	-	-	-	-	-	
- nine years later	37,481,170	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims	37,481,170	26,226,317	22,844,853	34,714,798	41,400,824	58,495,692	64,846,167	71,810,280	86,115,357	115,114,458	559,049,916
Cumulative payments to date	(36,337,798)	(24,226,953)	(22,860,564)	(33,861,094)	(41,153,018)	(56,664,314)	(61,875,990)	(63,232,257)	(78,011,365)	(73,567,554)	(491,790,907)
	1,143,372	1,999,364	(15,711)	853,704	247,806	1,831,378	2,970,177	8,578,023	8,103,992	41,546,904	67,259,009
Liabilities in respect of years prior to 2005											996,967
Total insurance claims liability - net											$68,255,976

Notes to the Consolidated Financial Statements

Year ended June 30, 2014
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15. Insurance Liabilities and Reinsurance Assets (continued)

15.1 Assumptions, change in assumptions and sensitivity (continued)

(b) Process used to decide on assumptions

Short-term Insurance Contracts

The risks associated with these insurance contracts and in particular, with casualty insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. The Group uses historical data for trending and estimating the ultimate cost of claims. The basic technique involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. These factors are then applied to cumulative claims data to develop the estimated total claims for the ensuing year.

The Group reserves for property and casualty insurance claims immediately on the receipt of a claim incident report. The Group's policy is to establish realistic reserves based on available information and cost estimates. The policy is to ensure that the majority of claims are adequately reserved in the same accounting month in which they are reported and no later than thirty (30) days after the first report of loss.

Outstanding claim reserves are continuously re-evaluated based on new information and developments and the reserves are adjusted for accordingly. The Group reassesses its provision for incurred but not reported claims (IBNR) on an annual basis.

Long-term Insurance Contracts

Annuities

These reserves are determined based on the fund balances for the contracts at the statement of financial position date.

Term Life

These reserves are valued using the gross premium valuation method which utilises assumptions regarding the rate of return on these contracts as well as mortality assumptions.

See Note 3 for details on the sensitivity of these reserves.

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Year ended June 30, 2014
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15. Insurance Liabilities and Reinsurance Assets (continued)

15.2 Movement in insurance liabilities and reinsurance assets

(a) Claims and loss adjustment expenses

Year ended June 30, 2014

	Gross	Reinsurance	Net
Notified claims	101,481,533	(65,419,955)	36,061,578
Incurred but not reported	40,055,959	(20,184,139)	19,871,820
Total at beginning of year	141,537,492	(85,604,094)	55,933,398
Cash paid for claims settled in year	(105,070,542)	23,881,437	(81,189,105)
Increase/(decrease) in liabilities			
- arising from current year claims	162,124,076	(47,009,618)	115,114,458
- arising from prior year claims	(19,683,926)	(1,918,849)	(21,602,775)
Total at end of year	**$178,907,100**	**$(110,651,124)**	**$68,255,976**
Notified claims	122,113,536	(82,728,216)	39,385,320
Incurred but not reported	56,793,564	(27,922,908)	28,870,656
Total at end of year	**$178,907,100**	**$(110,651,124)**	**$68,255,976**

Year ended June 30, 2013

	Gross	Reinsurance	Net
Notified claims	112,701,908	(67,748,651)	44,953,257
Incurred but not reported	28,695,470	(12,833,199)	15,862,271
Total at beginning of year	141,397,378	(80,581,850)	60,815,528
Cash paid for claims settled in year	(107,018,914)	31,975,253	(75,043,661)
Increase/(decrease) in liabilities			
- arising from current year claims	132,864,547	(43,091,368)	89,773,179
- arising from prior year claims	(25,705,519)	6,093,871	(19,611,648)
Total at end of year	**$141,537,492**	**$(85,604,094)**	**$55,933,398**
Notified claims	101,481,533	(65,419,955)	36,061,578
Incurred but not reported	40,055,959	(20,184,139)	19,871,820
Total at end of year	**$141,537,492**	**$(85,604,094)**	**$55,933,398**

Notes to the Consolidated Financial Statements
Year ended June 30, 2014
(Expressed in Trinidad and Tobago Dollars)

15. Insurance Liabilities and Reinsurance Assets (continued)

15.2 Movement in insurance liabilities and reinsurance assets (continued)

(b) Provisions for unearned premiums and unexpired short-term risks

Year ended June 30, 2014

	Gross	Reinsurance	Net
Unearned premium provision			
At beginning of year	132,427,655	(69,938,675)	62,488,980
Increase in the period	145,802,441	(79,448,370)	66,354,071
Release in the period	(132,427,655)	69,938,675	(62,488,980)
At end of year	**$145,802,441**	**$(79,448,370)**	**$66,354,071**
Unexpired risk provision			
At beginning of year	3,621,176	-	3,621,176
Increase in the period	4,692,656	-	4,692,656
Release in the period	(3,621,176)	-	(3,621,176)
At end of year	**$4,692,656**	**$ -**	**$4,692,656**

Year ended June 30, 2013

	Gross	Reinsurance	Net
Unearned premium provision			
At beginning of year	139,929,818	(73,448,847)	66,480,971
Increase in the period	132,427,655	(69,938,675)	62,488,980
Release in the period	(139,929,818)	73,448,847	(66,480,971)
At end of year	**$132,427,655**	**$(69,938,675)**	**$62,488,980**
Unexpired risk provision			
At beginning of year	3,366,328	-	3,366,328
Increase in the period	3,621,176	-	3,621,176
Release in the period	(3,366,328)	-	(3,366,328)
At end of year	**$3,621,176**	**$ -**	**$3,621,176**

Notes to the Consolidated Financial Statements
Year ended June 30, 2014
(Expressed in Trinidad and Tobago Dollars)

16. Trade and other payables

	2014	2013
Accruals	6,134,976	5,192,582
Stale dated cheques	5,539,170	5,182,672
Premium taxes	3,674,858	2,885,658
Interest income deferred	2,362,030	2,369,584
Sundry creditors	2,206,249	1,734,598
Statutory deposit outstanding	1,150,000	-
Other payables and accruals	7,187,166	7,844,491
	$28,254,449	**$25,209,585**

17. Bank Borrowing Facilities

The Group's borrowing facilities comprise the following:

	2014	2013
Undrawn overdraft facility	1,000,000	1,000,000
Letter of Credit	4,600,000	4,600,000
	$5,600,000	**$5,600,000**

These facilities are secured by land and buildings totalling $9,000,000 (2013: $9,000,000) included in property, plant and equipment.

18. Net Realised Gains on Financial Assets

	2014	2013
Fair value gains on available for sale financial assets transferred from other comprehensive income	397,580	-
	$397,580	**$ -**

19. Insurance Claims and Loss Adjustment Expenses

	2014			2013		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Current year claims and loss adjustment expenses	162,124,076	(47,009,618)	115,114,458	132,864,547	(43,091,368)	89,773,179
Prior year claims and loss adjustment expenses	(19,683,926)	(1,918,849)	(21,602,775)	(25,705,519)	6,093,871	(19,611,648)
	$142,440,150	**$(48,928,467)**	**$93,511,683**	**$107,159,028**	**$(36,997,497)**	**$70,161,531**

Notes to the Consolidated Financial Statements

Year ended June 30, 2014

(Expressed in Trinidad and Tobago Dollars)

20. Other Operating and Administrative Expenses

	2014	2013
Staff costs (See Note 21)	40,097,736	36,182,054
Advertising	11,092,303	7,687,053
Rent and utilities	10,335,814	8,649,035
Depreciation and amortisation	4,083,868	4,061,896
Staff welfare	3,695,822	3,753,494
Professional fees	3,627,485	3,662,103
Office expenses	3,293,461	3,454,120
Repairs and maintenance	1,893,866	1,580,931
Bank charges	931,095	788,955
Operating lease rental	212,200	212,200
Bad debts	412,277	3,540,101
Impairment loss recognised	-	165,054
Other miscellaneous expenses	3,955,236	3,521,519
	$83,631,163	**$77,258,515**

21. Staff Costs

	2014	2013
Wages and salaries	38,421,726	34,875,968
National insurance	1,525,810	1,195,639
Net pension expense - defined benefit plan	150,200	110,447
	$40,097,736	**$36,182,054**
Number of persons employed by the Group	**214**	**202**

22. Taxation

	2014	2013
Current tax	2,742,171	6,279,552
Deferred income tax (Note 11)	(745,740)	704,584
Prior years over provision	184,312	154,680
	$2,180,743	**$7,138,816**

The company's effective tax rate varies from the statutory rate of 25% as a result of the differences shown below.

Profit before taxation	$8,201,778	$21,803,089
Tax calculated at the rate of 25%	2,050,445	5,450,772
Effect of different tax rates in other countries	298,766	684,797
Income not subject to tax	(681,688)	(375,988)
Expenses not deductible for tax purposes	1,074,648	519,971
Deferred income tax (Note 11)	(745,740)	704,584
Prior year over provision	184,312	154,680
Tax charge	**$2,180,743**	**$7,138,816**

Notes to the Consolidated Financial Statements

Year ended June 30, 2014

(Expressed in Trinidad and Tobago Dollars)

23. Related Party Balances and Transactions

The Group is a subsidiary of CGH Limited. The Group also has a 100% subsidiary North West Premium Finance Limited. Beacon Holdings Limited is an affiliated company of The Beacon Insurance Company Limited. North West Premium Finance Limited, Beacon Holdings Limited and CGH Limited are incorporated in the Republic of Trinidad and Tobago.

The following transactions and balances were carried out with related parties:

		2014	2013
i)	Leasing of equipment	$271,000	$271,000
ii)	Administrative services	$96,000	$96,000
iii)	Amounts due from related parties	$1,197,866	$2,424,912
iv)	Provision for doubtful related party receivable balances	$68,188	$68,188
v)	Prepaid lease rentals	$20,983,994	$21,301,933
vi)	Leasehold Property	$7,378,945	$7,529,536
vii)	Key management compensation		

The compensation paid or payable to key management for employee services is shown below:

	2014	2013
Salaries and other short-term employee benefits	$12,815,689	$11,623,171

24. Commitments

(a) Capital commitments

The following were the capital commitments of the Group:

	2014	2013
Systems upgrade project	439,209	2,154,784
	$439,209	**$2,154,784**

(b) Operating lease commitments – where the Group is the lessee

The Group leases car parks, vehicles and information technology systems under operating leases with varying terms, escalating clauses and renewal rights.

The future aggregate minimum lease payments are as follows:

	2014	2013
No later than one year	2,241,743	3,297,540
Later than one year and no later than five years	931,884	2,485,088
	$3,173,627	**$5,782,628**

25. Contingent Liabilities

The Group has several legal matters pending relating to claims made on its insurance portfolio for which the ultimate cost of settling may be uncertain. These have been adequately provided for as insurance liabilities in the financial statements. The Group is also subject to other legal actions, the final outcome of which is uncertain. Based on legal advice received, management has concluded that no significant unrecognised liabilities are expected to crystallise.

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26. Subsequent Events

Management has evaluated the possibility of subsequent events existing in the Group's consolidated financial statements from July 1, 2014 through October 30, 2014, the date the financial statements were available to be issued. Management has determined that there are no material events that would require adjustment to disclosure in the Group's financial statements.

Beacon's Collective Compass

Beacon's Collective Compass guides us through every decision, ensuring we are always pointed true north, ever moving toward our vision.

It represents how our leaders and employees think, why we exist and what we hope to accomplish.

It is the essence of our brand - our purpose, our values and our promise.

Beacon
Switched On

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