Beacon

# 2015
# ANNUAL REPORT


# Beacon's Collective Compass

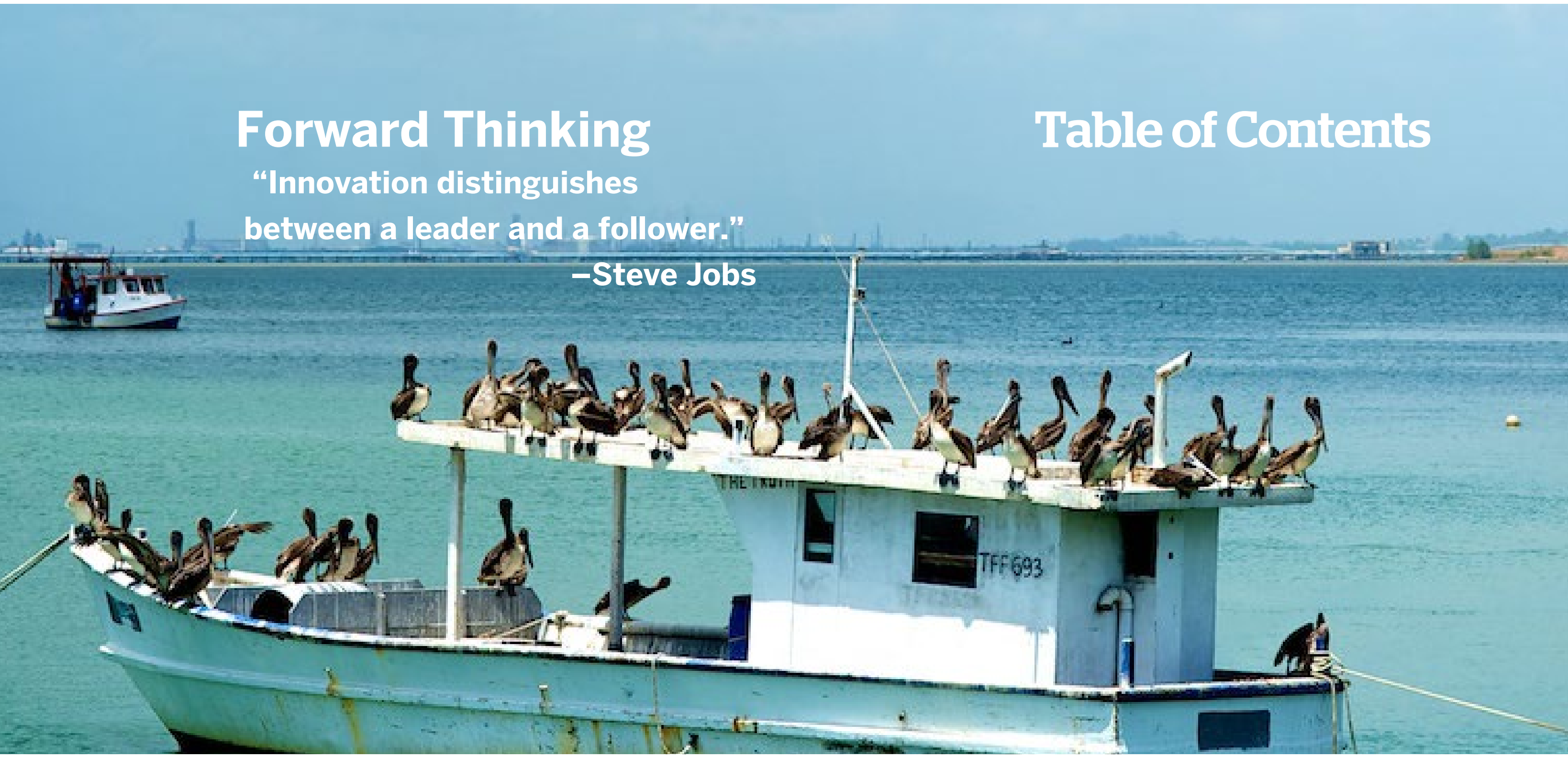
Beacon's Collective Compass guides us through every decision, ensuring we are always pointed true north, ever moving toward our vision.

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

beacon.co.tt



# Forward Thinking

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

# Table of Contents

# Chairman's Remarks

For yet another year, The Beacon Insurance Company Ltd. has been able to make significant strides in its growth trajectory. The Financial Year ending June 30th 2015 marked another successful period as we attained several milestones that have kept us ahead of the curve in the Insurance industry. Our ability to successfully navigate the ever-changing regulatory environment while remaining firmly grounded in a corporate culture of superior customer service, has strengthened our capacity to deal with changing market conditions and the challenges that these may bring.

In the last year, we maintained our focus on the achievement of a clear set of performance objectives while continuing to make our brand more memorable through creative differentiation. Other key aspects of our progress include our demonstrated commitment to good corporate governance, combined with operational efficiency, accountability and transparency to reinforce our underlying philosophy of being fair to stakeholders and contribute to sustained profitable growth. Our efforts to operate in this way were recognized and rewarded in early 2015 when our CariCRIS rating was upgraded from CariBBB+ to CariA-, a sweeping endorsement of Beacon's continued creditworthiness and financial strength.

While the last year brought us many business successes, we consider our most significant opportunities to be the ones that allow us to create life-transforming experiences. Our continued support of various school activities, events and NGOs locally and regionally demonstrate our commitment to the communities in which we operate. Some of these included the Barbados Nation's Annual Funathlon, our Customer Delight programs, Annual Beacon Fun ride in St. Lucia and Grenada Sports Awards sponsorship. Our employee Reward and Recognition programs have also helped us to celebrate our employees, as they are pivotal in our success over the years.

In the upcoming year, Beacon will continue to demonstrate our financial strength, technological capability and commitment to our customers in unique and exciting ways to ensure that we remain an insurer of choice across the region.

I wish to convey my sincere appreciation for the unwavering support of our Managing Board, 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 thanks 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

We have recently completed our 2014/15 Financial year, and on behalf of the Board of Directors and the Executive Management, I wish to convey our thanks for what can only be described as a remarkable year of financial performance and key achievements of which we are very proud.

From a financial perspective the company reported a consolidated profit after tax of $23.4m. This was attributable to revenue growth from $332M to $368M and an overall healthy loss ratio of 53% down from 62% in 2014, fuelled by prudent underwriting practices. Our investment portfolio risks are conservatively managed and generated a reasonable return of 2.3%. Operating expenses increased by 2% to $85.4m as we strive to efficiently improve our customer experience through innovation. Overall, the business rewarded its shareholders with a robust return on equity of 21.8% and the balance sheet has been strengthened with an improvement in net shareholders' equity of $16m to $121m. Looking ahead, management recognizes the immediate future challenges as our local economy contracts due to its dependence on global energy prices however, we remain cautiously optimistic for the next financial year ending June 2016.

In 2014, Beacon was delighted to advise that we had received our first financial rating, CariBBB+, from the region's premier rating agency, Caribbean Information and Credit Rating Services Limited (CariCRIS). This initial rating was the culmination of many business improvement initiatives which were meticulously planned and delivered by our Executive Management team over the past few years.

This year we were doubly pleased to announce that CariCRIS had upgraded our Issuer Ratings to Cari A- (Foreign and Local Currency) on its regional rating scale, and TT A- on the Trinidad and Tobago (T&T) national scale. These improvements, as quoted by CariCRIS, "reflect the company's moderate exposure to catastrophic risks due to its conservative insurance risk retention and support from highly creditworthy global reinsurers". Beacon's financial asset credit quality continues to be sound. The ratings are further supported by the company's continued trend of modest revenue growth and profitability and good capitalization relative to current and proposed regulatory requirements.

The issue of increasing price competition in all markets continues to be our major challenge. While we make every effort to support our clients who face difficult business environments, we also remain unfaltering in our strategy of winning customers by continually improving our service responsiveness and efficiencies at prices that adequately support the risks underwritten.

July 2014 marked the launch of Beacon's "Don't Worry Be Happy" strategic marketing theme. Underscored by Bobby Mc Ferrin's timeless classic "Don't Worry Be Happy" this campaign reflects a new phase of Beacon's re-brand exercise which began in 2011. Don't Worry Be Happy" was chosen as our signature sound as it reflects the culture of our company and promotes our distinctive personality in the market. Essentially we wanted a sound that reflects our warm, light-hearted, savvy and caring personality and Mc Ferrin's song was the best fit. Our brand image has taken on a brighter, lighter feel and seeks to encourage a worry-free life through product customization and affordable coverage for our customers.

In this regard, we also continue to look for innovative ways to improve our service delivery. During this year we also launched our About You Portal which gives customers 24/7 access to their policy details and premium information and our Beacon Buddy app, the first of its kind in the region. Renewal payments and real-time Claims reporting can also be done on both these platforms.

Beacon has made steady progress over the past few years and is now considered one of the major players in the industry. Our growth, strong brand presence, state of the art technology and deep market relationships have all contributed to our 'emerging giant' status. Our goal is to consistently review our processes to ensure we live up to our promise of a life-transforming experience for our customers. At the heart of every transaction is the intent to make someone's life just a little better through the compassionate delivery of our services.

Thank you for choosing Beacon.

Robert Mowser, MBA, ACII
Chief Executive Officer

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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

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# Corporate Profile

The Beacon Insurance Company ("Beacon") is a privately owned company founded by Mr. Aziz Hadeed in the 1970s and incorporated in 1996 as a rebrand of The Caribbean Insurance Company Ltd. Its early years were characterised by direct personal relationships between the owner and "The Beacon's" clients rather than through Brokers.

With over forty years in the Insurance Industry our operations are regional, headquartered in Trinidad. We have branch offices in Tobago, Grenada, Barbados, St. Lucia, and agency operations in St. Vincent, Dominica and St. Kitts & Nevis where we underwrite all major lines of insurance including Property, Motor, Accident & Casualty, Marine Cargo & Hull, Engineering, Bonding and Group Health. Beacon is currently ranked 5th in Trinidad, in terms of market share of Trinidadian-owned Insurance companies.

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$518 million to date, with Gross Premiums surpassing the TT$325 million mark. Currently 77% of Beacon's Revenue base is derived from Trinidad, over 50% of which is generated from Brokers. Beacon has recently been upgraded to a CariA- Rating by CariCRIS, the regional credit rating agency. While we chose to support a regional rating agency, CariCRIS is an associate company of the globally recognized rating agency Standard & Poor, and is approved by Caribbean regulators. The ratings reflect our company's good market position with a strong and diverse distribution network, good quality of financial assets and liquidity, diversified earnings, continued profitability and comfortable capital adequacy.

A Managing Board is charged with responsibility for the strategic leadership of the company including strategic planning, risk management and compliance and reinsurance. The managing board is also responsible for executing on corporate strategy including planning and budgeting, operational efficiency and revenue generation.

Beacon has strategically chosen a conservative growth path that ensures our underwriting is sound and never driven solely for market share. Our core insurance activities are managed by an enterprise system that incorporates all our business processes, integrated with financial applications, and document management systems. All branch offices regionally are connected live to the enterprise system.

Sports, charities and education are at the heart of Beacon's Corporate Social Responsibility programme. Across the region the company is involved in activities ranging from Adventure Racing and Cycling in Trinidad to Circuit Racing and Road Tennis in Barbados, Grenada's National Women's Football Team and the St. Vincent National Squash Team.

July 2014 marked the launch of Beacon's "Don't Worry Be Happy" strategic marketing theme. Underscored by Bobby Mc Ferrin's timeless classic "Don't Worry Be Happy" this campaign reflects a new phase of Beacon's re-brand exercise which began in 2011. Don't Worry Be Happy" was chosen as our signature sound as it reflects the culture of our company and promotes our distinctive personality in the market. Essentially we wanted a sound that reflects our warm, light-hearted, savvy and caring personality and Mc Ferrin's song was the best fit. Our brand image has taken on a brighter, lighter feel and seeks to encourage a worry-free life through product customization and affordable coverage for our customers.

In this regard, we also continue to look for innovative ways to improve our service delivery. The About You Portal gives customers 24/7 access to their policy details and premium information as does our Beacon Buddy app, the first of its kind in the region. Renewal payments and real-time Claims reporting can also be done on both these platforms. In the next few months, a Call Centre will be introduced to assist with managing incoming queries and outgoing information. Our goal is to consistently review our processes to ensure we live up to our promise of a life-transforming experience for our customers. At the heart of every transaction is the intent to make someone's life just a little better.

Beacon's asset base is strong, our markets are diverse and we're full of heart. These are the strengths that help us grow bigger and better each year.

## 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.

**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.

**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.

# 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

**Brian Hennis**
Branch Manager, Barbados

**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

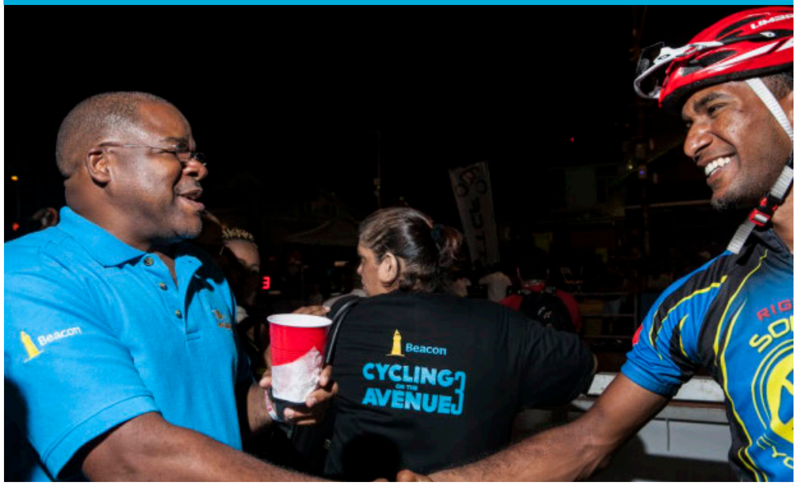
## AUDITOR

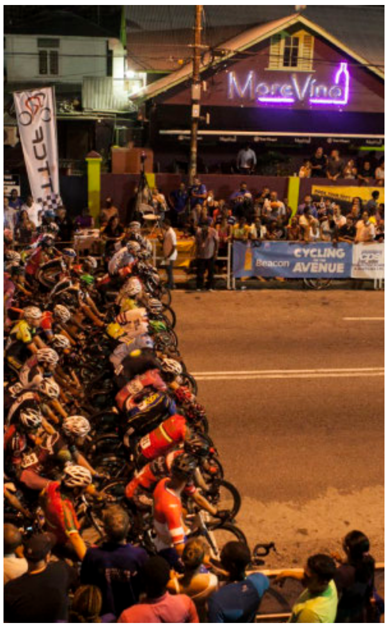
BDO

# Our Community

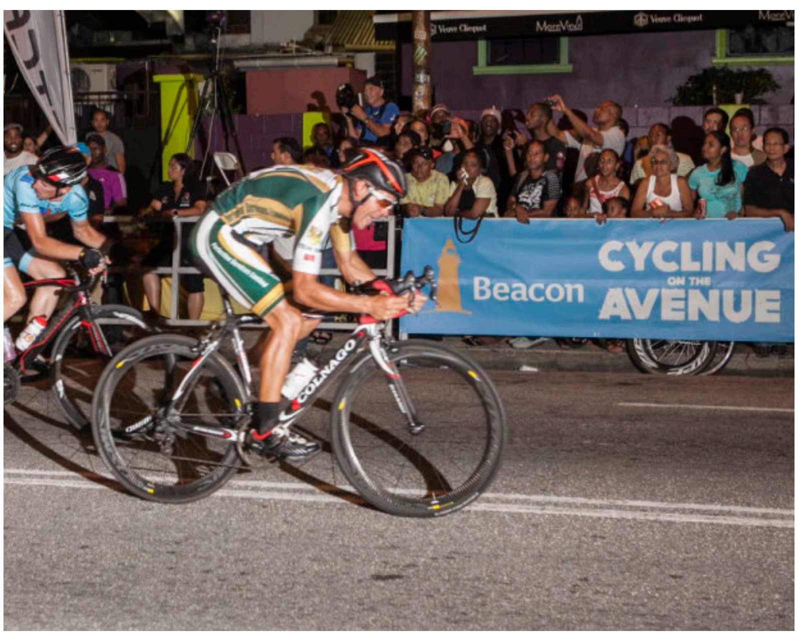
What a year for community outreach, with activities in almost every island, our hands were never idle, and always giving back. With Flagship events, such as cycling, Aerobics burn outs in Grenada and Beacon Sober Zone during the T&T Carnival Season, we enjoyed touching base with the communities we serve.

## Cycling on the Avenue 3



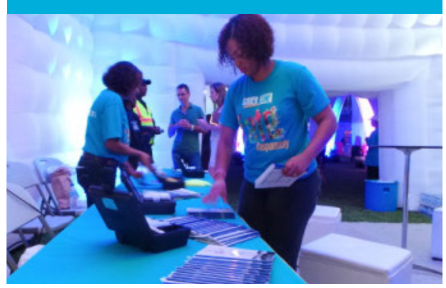








## Caribbean Colour Splash Carnival Fitness Burn

## Beacon Sober Zone



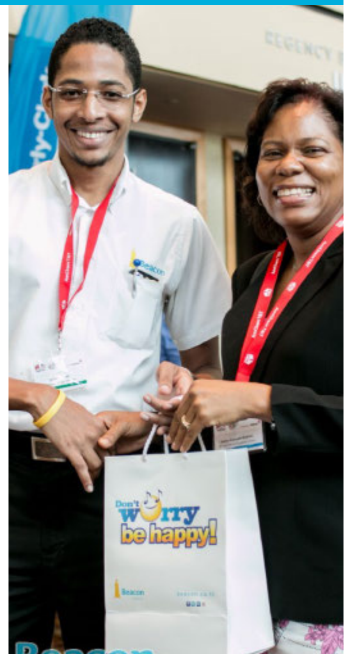
# Our Community

Out and about, creating and maintaining personal relationships at AmCham T&T's HSSE Conference & Exhibition. What an exciting experience it is to show what Beacon is about, while learning more about what other industries have to offer.

In Barbados, we were happy to spread joy to school children sharing books and treats, as part of our Corporate and Social responsibility initiatives.

Jason Costelloe, the Beacon champion himself has again and again represented us in great stride and style, throughout the Caribbean! Our Tri-Athlete and Mountain biking champion!

## AmCham T&T's HSSE Conference & Exhibition


## Don't Worry be Happy activation in Barbados


## Beacon Triathlon Champion, Jason Costello

# Our Staff

Unity is strength. When there is teamwork and collaboration, wonderful things can be achieved. For the year 2014/2015, we achieved. Team Beacon edified the true meaning of teamwork for yet another successful year.

Every member of this team we call family have all contributed to ensuring the Beacon philosophy evolved into meaningful practice.

# Our Staff

## Family & Sports Day

When we play, we go all out. The Annual Beacon Sports and Family day is a must attend event. All hands on deck, as teams get together to show their sporting and creative prowess.

The victory belongs to every team when the day ends, as the family that plays together, stays together.

# INTRODUCTION

## Adoption of Trinidad & Tobago Corporate Governance Code (TTCGC)

The Code was developed for companies with public accountability and as a privately owned company we are committed to maintaining the standards of corporate governance. Beacon has adopted the TTCGC on an "apply or explain basis" and its adherence to the TTCGC is outlined in this report.

The Board of Directors understands its legal and governance responsibilities and undertakes these with integrity, accountability and transparency. Specific responsibilities and authorities are delegated by the Board to the CEO. The primary objectives of the role of the CEO is to manage the resources of the Company in accordance with policies, objectives and authorities set out by the Board of Directors and to lead the management of the Company's business affairs.

# CORPORATE GOVERNANCE

During the course of the year the Board fulfilled its key functions despite not having a formal Charter:

- Reviewing and guiding corporate strategy, major plans of action, annual budget and business plans
- Ensuring the company has the appropriate organizational structure in place to achieve its objectives
- Selecting, compensating, monitoring and, where necessary, replacing key executives and overseeing succession planning
- Ensuring the integrity of the Company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards
- Overseeing material commitments, including capital expenditures
- Overseeing the process of disclosure and communications with shareholders
- The Board is also assisted in carrying out its functions by the operation of Committees formed from among its members.
- The Committees currently comprises:
    - Audit Committee
    - Compensation Committee

Each Committee is governed by a Charter (save and except in the case of the Risk Management Committee – see below).

## ETHICAL CONDUCT

The Board commits itself and its members to ethical, businesslike, and lawful conduct, including proper use of authority and appropriate decorum when acting as board members.

Included in the policy there is provision for conflict of interest which requires conflicted members to recuse themselves.

All Directors and Officers of the Company are subject to the Connected Party Policy which requires disclosure of conflicts of interest and includes provisions for the management of any such disclosed conflicts. Compliance with the policy is monitored by the Compliance Unit.

All employees including the Board are subject to the Code of Ethics and Professional Conduct as well as the Conflict of Interest policy.

## INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for reviewing and approving policies and procedures which guide the operations of the Company, including its involvement in determining acceptable risk exposure levels for the Company.

A formal Risk Committee is to be formalized however the Board has managed risk through an informal committee comprising of the Executive Team and members of the management team. This committee meets monthly to ensure that the Company is not exposed to unnecessary risks.

A formal Board Charter is currently being developed.

## BOARD COMPOSITION, COMMITTEES, NON-EXECUTIVE DIRECTORS & CHAIRMAN

Our Board of Directors comprises seven (7) Directors, two (2) Independent/Non-Executive Directors and four (4) Executive Directors. The Chairman, Mr Christian Hadeed is a Non-Executive Director but is also a significant shareholder. Mr Richard Lewis is the Senior Independent Director and also the Deputy Chairman.

The Independent/Non-Executive Directors are highly respected, individuals with varied backgrounds. Independent/Non-Executive Directors do not participate in performance based incentive plans. The Board Chairman and Directors are paid fees, and Committee Chairmen and Members are paid an additional fee for each Committee on which they serve. Executive Directors were paid fees however this practice has since been discontinued.

The Executive Directors ensure that at Board meetings, Directors have access to the best possible insurance, management and financial advice during their deliberations. Each Executive Director has his own particular strength reflective of his/ her professional experience and this ensures the Board has a clear perspective on all matters on which decisions are required.

There have been no board changes since our last Annual Report.

A process for induction training and formalizing the evaluation of the Board and its members is currently being developed.

## MEETING OF DIRECTORS

For the financial year, the Board met four times to deal with routine business and meetings were convened as necessary for special business such as major transactions.

**Meetings and Attendance of Directors**

| DIRECTORS | MEETINGS 4 Sept 2014 | 28 Nov 2014 | 27 Feb 2015 | 29 May 2015 | Meetings Attended | Maximum # of Meetings | % Attendance |
|---|---|---|---|---|---|---|---|
| C. HADEED (Chairman/Non-Executive) | 1 | 1 | 1 | 1 | 4 | 4 | 100% |
| R. LEWIS (Deputy Chairman/ Independent/Non-Executive) | 0 | 1 | 1 | 1 | 3 | 4 | 75% |
| A. PERSAUD (Independent/Non-Executive) | 1 | 1 | 1 | 1 | 4 | 4 | 100% |
| P. BRYAN (Executive) | 1 | 1 | 1 | 1 | 4 | 4 | 100% |
| L. GONSALVES (Executive) | 1 | 1 | 1 | 1 | 4 | 4 | 100% |
| R. MOWSER (Executive) | 1 | 1 | 1 | 1 | 4 | 4 | 100% |
| C. WOODHAMS (Executive) | 1 | 1 | 1 | 1 | 4 | 4 | 100% |

Board members also frequently met informally with the CEO and the CFO to consider matters of strategic importance and to offer informal and non-binding advice to the CEO.

## COMMITTEE REPORTS

**Report of the Audit Committee**

The Audit Committee is comprised of two (2) Non-Executive Independent Directors, one of which is Chairman, and one (1) Executive Director. The two (2) Non-Executive Independent Directors meet the criteria specified for independence in the Corporate Governance Code and the Company's by-laws.

The Committee Charter sets out its responsibilities in respect of the financial statements, internal controls, the internal audit function and external audit.

The Committee meets quarterly to review the financial reporting process, the system of internal control, the audit process, the Company's process for monitoring compliance with laws and regulations. Four (4) meetings were held for the financial year to discharge its responsibilities.

The Chairman certifies to the Board the Committee's reasonable satisfaction that internal controls are functioning properly in the areas reviewed by Internal Audit and the risk corrective actions identified for implementation by management have been addressed or identifies any exceptions thereto and management's committed remedial actions.

The financial statements and activities were audited by external and independent Auditors Binder Dijker Otte (BDO) Trinidad & Tobago Ltd. The fees paid to the auditor are in the financial statements. There was no other work performed by the auditor with the Company.

**Report of the Compensation Committee**

The Committee comprises of Independent Directors and is responsible for reviewing the compensation package and assessment of performance of the Executive team. The Committee also recommends to the Board the fees to be paid to Independent Directors. The committee meets as the need arises. Two (2) meetings were held for the financial year.

# TRINIDAD & TOBAGO CORPORATE GOVERNANCE CODE (TTCGC) Application and CG Disclosure Summary

The Beacon Insurance Company Limited being committed to full adherence to the Code however recognizes there may be in instances of departure from the Code. Therefore a schedule is set out below identifying where there has been full compliance and instances where there has been some departure from the Code.

**Table 1: TTCGC Application Summary**

| | APPLIED | PARTIAL | REFERENCE | COMMENT |
|---|---|---|---|---|
| **Principle One: Establish a Framework for Effective Governance** | | | | |
| 1.1 The Board should establish and make publicly available a clear outline of its roles and responsibilities, including any formal delegations to Management. | | ✓ | Page 15 | The Board fulfills its key functions however no formal Charter exists. Charter to be completed 2016. |
| 1.2 The chairperson of the Board should be a non-executive Director and preferably an independent Director. Where the chairperson of the Board is not an independent non-executive Director, the Board should appoint a lead independent Director. | ✓ | | Page 16 | |
| 1.3 The Board should demonstrate ethical leadership, which includes commitment to high ethical standards and responsible decision-making. | ✓ | | | Explicit in HR Policy Manual – Code of Ethics & Professional Conduct and Conflicts of Interest.<br><br>Connected Party Policy – Disclosure of interests. |
| 1.4 The Board should ensure that it is supplied with information in a timely manner, in a form and of a quality appropriate to enable it to discharge its duties effectively. | ✓ | | | Board meetings are held quarterly in accordance with the Articles. |
| 1.5 The Board should take into account the legitimate interests and expectations of all stakeholders. There should be active co-operation between corporations and stakeholders in creating wealth, employment, and the sustainability of financially sound enterprises. | | ✓ | | The directors of the company will ensure that the board identifies and knows the interests, views and expectations of all individuals and groups which the board judges to have a legitimate interest in the achievement of company objectives and the way in which these objectives are achieved.<br><br>The Board will ensure that communications with such parties are timely, effective and unbiased, and are subject to the needs of commercial security and regulatory compliance where appropriate.<br><br>The Board will ensure the achievement of these aims via periodic review of procedures for managing relationships with stakeholders by a Board Risk Committee and a Board Charter which are both currently being developed. |
| **Principle Two: Strengthen the Composition and Performance of Board and Committees** | | | | |
| 2.1 The Board should appoint a sufficient number of independent Directors capable of exercising unbiased judgment, particularly in tasks where there is a potential for conflicts of interest. | ✓ | | Page 17 | |

## TRINIDAD & TOBAGO CORPORATE GOVERNANCE CODE (TTCGC) Application and CG Disclosure Summary cont'd

| | APPLIED | PARTIAL | REFERENCE | COMMENT |
|---|---|---|---|---|
| 2.2 Directors should be selected and appointed through rigorous and formal processes designed to give the Board a balance of independence and diversity of skills, knowledge, experience, perspectives and gender among Directors so that the Board works effectively. | | ✓ | | The majority shareholder in consultation with the Chairman appoints Directors of diverse skill sets to oversee the running of the company. |
| 2.3The Board reviews the capability matrix of potential directors and through the Chairman makes the recommendations to the shareholders for appointment. | | | | The majority shareholder in consultation with the Board reviews and appoints Directors of diverse skill set to oversee the running of the company. |
| 2.4 All Directors should receive induction training upon joining the Board and should regularly update and refresh their skills and knowledge. | | ✓ | | There were no Director appointments for the fiscal period. Induction process Informally practiced however to be finalized October 2015. |
| 2.5 The Board should undertake a rigorous, transparent and formal annual evaluation of its own performance and that of its committees and of the individual Directors. | | ✓ | | Formal evaluation to be prepared in 2016. |
| 2.6 The Board should ensure that the remuneration of Directors and senior management is transparent, fair and reasonable. | ✓ | | Page 16 | |
| **Principle Three: Reinforce Loyalty and Independence** | | | | |
| 3.1 The Board should undertake an assessment of its independence on an annual basis and disclose in the annual report each non-executive Director it considers to be independent. | ✓ | | | |
| 3.2 All Directors should be candidates for re-election, at intervals of no more than three years, subject to continued satisfactory performance. | | ✓ | | Private company with very few shareholders. Articles provide for all Directors to retire from office but shall be eligible for re-election at every ordinary general meeting. |
| 3.3 Members of the Board and Senior Management should disclose to the Board whether they, directly or indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the company. | ✓ | | | See Connected Party Policy. |
| 3.4 Directors should demonstrate the capacity to commit the time needed to be fully effective in their roles. | ✓ | | Page 17 | |
| **Principle Four: Foster Accountability** | | | | |
| 4.1 The Board should promote accurate, timely and balanced disclosure of all material matters concerning the company. | ✓ | | Page 22 | Management Responsibility for Financial Reporting |

## TRINIDAD & TOBAGO CORPORATE GOVERNANCE CODE (TTCGC) Application and CG Disclosure Summary cont'd

| | APPLIED | PARTIAL | REFERENCE | COMMENT |
|---|---|---|---|---|
| 4.2 Directors should state in the annual report their responsibility towards the integrity of the financial reports. This includes a statement from Directors that these reports comply with applicable financial reporting standards and present a true and fair view of the financial affairs of the company. | ✓ | | Page 22 | Management Responsibility for Financial Reporting |
| 4.3 The Board should, on an annual basis, report to shareholders and stakeholders on the external auditor's involvement in non-audit work and fees paid to auditors. This disclosure should differentiate between fees for audit work and fees for non-audit work. | ✓ | | Page 17 | |
| 4.4 The Board should, on an annual basis, verify that the company has appropriate processes that identify and manage potential and relevant risks. | | ✓ | Page 16 | A Risk Committee is to be formalized. |
| 4.5 Each company should establish an Audit Committee of the Board with responsibilities that include, but are not limited to: | ✓ | | Page 17 | |
| a. Recommending the appointment of external auditors; | ✓ | | | |
| b. Assessing the suitability and independence of external auditors; | ✓ | | | |
| c. Overseeing all aspects of the company-audit firm relationship; | ✓ | | | |
| d. Monitoring and reviewing the effectiveness of the internal audit function; | ✓ | | | |
| e. Promoting integrity in financial reporting | ✓ | | | |
| 4.6 Boards should report annually to shareholders on how the company is implementing the Corporate Governance Principles and explain any significant departure from Recommendations supporting each Principle. | ✓ | | Page 18 | Application and CG Disclosure Summary |
| **Principle Five: Strengthen Relationships with Shareholders** | | | | |
| 5.1 The Board should facilitate the exercise of ownership rights by all shareholder groups, including minority or foreign shareholders and institutional investors. | ✓ | | | The shareholders are active participants in the governance of the company. |
| 5.2 The Board should ensure that shareholders have the opportunity to engage with the company and participate effectively in annual and special meetings. | ✓ | | | The shareholders are active participants in the governance of the company. |
| 5.3 During the annual and special meetings, the Board should facilitate questioning of external auditors and Senior Management by shareholders, as moderated by the chairperson. | ✓ | | | Through the governance function, shareholders have the opportunity to interact with the external auditors and Senior Management. |

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# Management's Responsibility for Financial Reporting

The accompanying audited consolidated financial statements ("financial statements") of The Beacon Insurance Company Limited and all the information in this financial report are the responsibility of management and are approved by the Board of Directors.

The financial statements have been prepared by management in accordance with International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances.

The significant accounting policies used are described in Note 2 to the financial statements. Certain amounts in the financial statements are based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the financial report and has ensured that it is consistent with that in the financial statements.

Management is responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting and has concluded that the Company's internal control over financial reporting, as at June 30, 2015 , was effective to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of its financial statements for external purposes in accordance with applicable accounting principles.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors and the majority of its members including the Chairman of the Committee is independent. The Audit Committee meets periodically with management, as well as with the internal and independent auditors, to discuss disclosure controls and procedures, internal control over financial reporting, management information systems, accounting policies, auditing and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the financial statements, the Management's Discussion and Analysis and the independent auditor's report. The Audit Committee reports its findings to the Board of Directors for consideration when approving the financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or reappointment of the independent auditor, and reviews and approves the terms of its engagement, as well as the fee, scope and timing of its services.

The financial statements have been audited, on behalf of the shareholders, by BDO, the independent auditor, in accordance with International Standards on Auditing. The independent auditor has full and free access to the Audit Committee and may meet with or without the presence of management.

# Consolidated Financial Statements

## 30 June 2015

**THE BEACON INSURANCE COMPANY LIMITED**
**AND ITS SUBSIDIARY**

Consolidated Financial Statements

As at June 30, 2015

## CONTENTS

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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 Limited and its Subsidiary, which comprise the consolidated statement of financial position as at June 30, 2015 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 accompanying 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, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

BDO

October 26, 2015
Port of Spain,
Trinidad and Tobago

## Consolidated Statement of Financial Position

As at June 30, 2015

*(Expressed in Trinidad and Tobago Dollars)*

| | Notes | 2015 | 2014 |
|---|---|---|---|
| **ASSETS** | | | |
| Property, plant and equipment | 5 | 54,080,322 | 55,467,138 |
| Retirement benefit asset | 6 | 1,299,858 | 1,272,128 |
| Financial assets - available for sale | 7 | 75,263,077 | 68,107,541 |
| - loans and receivables | 8 | 78,724,341 | 72,852,994 |
| Reinsurance assets | 9 | 166,053,657 | 190,259,645 |
| Deferred income tax assets | 10 | 3,586,697 | 3,552,938 |
| Other assets | | 1,737,475 | 5,785,849 |
| Taxation recoverable | | 3,442,193 | 2,788,582 |
| Short term deposits | 11 | 34,760,863 | 44,912,916 |
| Cash and cash equivalents | | 83,417,421 | 76,801,561 |
| **Total Assets** | | **$502,365,904** | **$521,801,292** |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 12 | 39,000,000 | 39,000,000 |
| Statutory reserve | 13 | 17,690,750 | 13,589,862 |
| Fair value reserve | | 1,716,698 | 2,333,134 |
| Retained earnings | | 62,559,133 | 49,704,453 |
| **Total Shareholder's Equity** | | 120,966,581 | 104,627,449 |
| **LIABILITIES** | | | |
| Insurance liabilities | 14 | 312,100,998 | 331,695,151 |
| Bank overdraft | | - | 32,442 |
| Reinsurance payable | | 34,257,769 | 54,007,540 |
| Trade and other payables | 15 | 26,868,601 | 28,254,449 |
| Deferred income tax liabilities | 10 | 2,565,004 | 2,780,459 |
| Taxation payable | | 5,606,951 | 403,802 |
| **Total Liabilities** | | 381,399,323 | 417,173,843 |
| **Total Shareholder's Equity and Liabilities** | | **$502,365,904** | **$521,801,292** |

*See accompanying notes to the consolidated financial statements.*

On October 26, 2015, 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, 2015
*(Expressed in Trinidad and Tobago Dollars)*

| | Notes | 2015 | 2014 |
|---|---|---|---|
| Insurance premium revenue | | 368,273,358 | 331,673,182 |
| Insurance premium ceded to reinsurers | | (187,018,437) | (172,348,596) |
| Net premium written | | 181,254,921 | 159,324,586 |
| Change in gross unearned premium reserves | | (10,666,889) | (14,446,266) |
| Change in unearned premium reserves due to reinsurers | | 310,296 | 9,509,691 |
| **Net insurance premium revenue** | | 170,898,328 | 154,388,011 |
| Investment income | | 6,327,496 | 6,243,986 |
| Commissions received on reinsurance contracts | | 70,048,739 | 57,737,500 |
| Net realised gains on financial assets | 7 | 125,525 | 397,580 |
| Foreign exchange gains | | 655,781 | 422,172 |
| **Net income** | | 248,055,869 | 219,189,249 |
| Insurance benefits on long term contracts | | (648,953) | (344,488) |
| Insurance benefits on long term contracts recovered from reinsurers | | 6,994 | 8,013 |
| Insurance claims and loss adjustment expenses | 17 | (106,035,358) | (142,440,150) |
| Insurance claims and loss adjustment expenses recovered from reinsurers | 17 | 15,945,683 | 48,928,467 |
| Net insurance benefits and claims | | (90,731,634) | (93,848,158) |
| Expenses for the acquisition of insurance contracts | | (39,667,948) | (33,508,150) |
| Other operating and administrative expense | 18 | (85,407,266) | (83,631,163) |
| **Expenses** | | (215,806,848) | (210,987,471) |
| **Profit before taxation** | | 32,249,021 | 8,201,778 |
| Taxation | 20 | (8,851,150) | (2,180,743) |
| **Profit for the year attributable to parent company shareholders** | | **23,397,871** | **6,021,035** |
| **Other comprehensive income:** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| Net change in fair value on available for sale financial assets, net of tax | | (616,436) | 68,687 |
| *Items that will not be reclassified to profit or loss* | | | |
| Remeasurements of defined benefit pension plan, net of tax | | 57,697 | (68,080) |
| Other comprehensive (loss)/income for the year, net of taxation | | (558,739) | 607 |
| **Total comprehensive income for the year attributable to parent company shareholders** | | **$22,839,132** | **$6,021,642** |

*See accompanying notes to the consolidated financial statements.*

## Consolidated Statement of Changes in Equity

Year ended June 30, 2015

*(Expressed in Trinidad and Tobago Dollars)*

| | Notes | Share Capital | Statutory Reserve | Fair Value Reserve | Retained Earnings | Total |
|---|---|---|---|---|---|---|
| **Year ended June 30, 2015** | | | | | | |
| Balance at July 1, 2014 | | 39,000,000 | 13,589,862 | 2,333,134 | 49,704,453 | 104,627,449 |
| **Comprehensive income for the year** | | | | | | |
| Profit for the year attributable to parent company shareholders | | - | - | - | 23,397,871 | 23,397,871 |
| Net change in fair value on available for sale financial assets | | - | - | (616,436) | - | (616,436) |
| Remeasurements of defined benefit pension plan | | - | - | - | 57,697 | 57,697 |
| **Total comprehensive income** | | **-** | **-** | **(616,436)** | **23,455,568** | **22,839,132** |
| **Transactions with owners:** | | | | | | |
| Dividends paid | | **-** | **-** | **-** | (6,500,000) | (6,500,000) |
| **Total transactions with owners** | | | | | | |
| Transfer to statutory reserve | 13 | - | 4,100,888 | - | (4,100,888) | - |
| **Balance at June 30, 2015** | | **$39,000,000** | **$17,690,750** | **$1,716,698** | **$62,559,133** | **$120,966,581** |
| **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** | | | | | (3,000,000) | (3,000,000) |
| Transfer to statutory reserve | 13 | - | 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** |

*See accompanying notes to the consolidated financial statements.*

## Consolidated Statement of Cash Flows

Year ended June 30, 2015

*(Expressed in Trinidad and Tobago Dollars)*

| | 2015 | 2014 |
|---|---|---|
| **Cash flows from Operating Activities** | | |
| Profit before taxation | 32,249,021 | 8,201,778 |
| *Adjustments for:* | | |
| Depreciation | 4,535,198 | 4,083,868 |
| Change in retirement benefit asset | 49,199 | 66,752 |
| Loss on disposal of property, plant and equipment | 45,607 | 68,471 |
| Dividend income | (455,804) | (318,560) |
| Interest income | (3,941,562) | (3,797,308) |
| Foreign exchange gains | (655,781) | (422,172) |
| Gain on disposal of financial assets | (125,525) | (397,580) |
| | 31,700,353 | 7,485,249 |
| Net decrease in loans and receivables | (5,871,347) | (9,500,489) |
| Net decrease/(increase) in reinsurance assets | 24,205,988 | (34,564,737) |
| Net decrease/(increase) in other assets | 4,055,011 | (1,659,148) |
| Net decrease/(increase) in short term deposits | 10,152,053 | (1,204,938) |
| Net (decrease)/increase in insurance liabilities | (19,594,153) | 52,160,362 |
| Net (decrease)/increase in reinsurance payable | (19,093,990) | 22,506,757 |
| Net (decrease)/increase in trade and other payables | (1,385,848) | 3,044,864 |
| Taxes paid | (4,364,579) | (6,340,201) |
| **Net cash provided by/(used in) operations** | **19,803,488** | **31,927,719** |
| **Cash flows from Investing Activities** | | |
| Purchase of property, plant and equipment | (3,209,367) | (6,190,726) |
| Proceeds from disposal of property, plant and equipment | 15,378 | 263,511 |
| Dividends received | 280,804 | 318,560 |
| Interest received | 4,109,925 | 4,084,614 |
| Purchase of available for sale financial assets | (70,379,149) | (40,071,770) |
| Proceeds from disposal of available for sale financial assets | 62,527,223 | 38,958,631 |
| **Net cash (used in)/provided by investing activities** | **(6,655,186)** | **(2,637,180)** |
| **Cash Flows from Financing Activities** | | |
| Dividends paid | (6,500,000) | (3,000,000) |
| **Net cash used in financing activities** | **(6,500,000)** | (3,000,000) |
| **Increase in cash and cash equivalents** | 6,648,302 | 26,290,539 |
| Cash and cash equivalents at beginning of year | 76,769,119 | 50,478,580 |
| **Cash and cash equivalents at end of year** | **$83,417,421** | **$76,769,119** |
| **Represented by:** | | |
| Cash at bank and in hand | 83,417,421 | 76,801,561 |
| Bank overdraft | - | (32,442) |
| | **$83,417,421** | **$76,769,119** |

*See accompanying notes to the consolidated financial statements.*

**Notes to the Consolidated Financial Statements**
Year ended June 30, 2015
*(Expressed in Trinidad and Tobago Dollars)*

## 1. General Information

The Beacon Insurance Company Limited (the "Company") was incorporated in the Republic of Trinidad and Tobago on April 6, 1995 and was continued under the Companies Act, 1995 on September 15, 1998. 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.

The Company and its Subsidiary is together referred to as the "Group"

## 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.

There were no new IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after July 1, 2014 that were adopted and had a material impact on the Group.

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

The following new standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the Group's future financial statements in the period of initial application. In all cases the entity intends to apply these standards from application date as indicated in the note below.

Amendments to IAS 1 Presentation of Financial Statements Disclosure Initiative – The amendment clarifies a number of aspects of IAS 1 in relation to materiality, line items in primary financial statements, notes to the financial statements and accounting policies. The amendments to IAS 1 are intended to assist entities in determining the disclosures which are appropriate to be included in their financial statements. This may result in changes in the information disclosed in, and layout of, future financial statements. This amendment is effective for annual reporting periods commencing on or after January 1, 2016.

**Notes to the Consolidated Financial Statements**
Year ended June 30, 2015
*(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 (continued)

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 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 amortised 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. IFRS 9 uses an impairment model that is more 'forward looking' in that a credit event no longer has to occur before credit losses are recognised. 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. The Company is yet to assess IFRS 9's full impact.

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 consolidated 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.

**(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 consolidated 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.

**Notes to the Consolidated Financial Statements**
Year ended June 30, 2015
*(Expressed in Trinidad and Tobago Dollars)*

## 2. Summary of Significant Accounting Policies (continued)

### 2.2 Foreign currency translation (continued)

#### (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 consolidated statement of financial position presented are translated at the closing rate at the date of the consolidated statement of financial position;

(b) income and expenses for each consolidated 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated 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 | Reducing balance | 25% |
| 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 consolidated statement of financial position date and adjusted if appropriate.

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.

**Notes to the Consolidated Financial Statements**
Year ended June 30, 2015
*(Expressed in Trinidad and Tobago Dollars)*

## 2. Summary of Significant Accounting Policies (continued)

### 2.2 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.

**(iii) Foreign Branch operations**

**(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 (b) 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 consolidated 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 consolidated statement of comprehensive income. Dividends on the available for sale equity instruments are recognised in the consolidated 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.

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 consolidated statement of comprehensive income as 'net realised gains or losses on financial assets'.

## Notes to the Consolidated Financial Statements

Year ended June 30, 2015

*(Expressed in Trinidad and Tobago Dollars)*

### 2. Summary of Significant Accounting Policies (continued)

#### 2.4 Financial assets (continued)

##### (b) Available for sale financial assets (continued)

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 consolidated 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 consolidated statement of comprehensive income. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated 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 consolidated statement of comprehensive income.

**Notes to the Consolidated Financial Statements**
Year ended June 30, 2015
*(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 consolidated 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

(v) 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 consolidated 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, 2015
*(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 consolidated 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, 2015
*(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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated statement of financial position date and is computed on a pro-rata basis.

**Notes to the Consolidated Financial Statements**
Year ended June 30, 2015
*(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 consolidated 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 reported date, liability adequacy tests were 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 consolidated 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 (b).

#### (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, 2015
*(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 2.5 (b).

#### (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 consolidated 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, 2015
*(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 consolidated 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 consolidated 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, 2015
*(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 consolidated 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 consolidated 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 consolidated 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, 2015
*(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 consolidated 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 consolidated 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.

**2.17 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the consolidated 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 consolidated statement of comprehensive income.

**Notes to the Consolidated Financial Statements**
Year ended June 30, 2015
*(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 with duration between 91 days and one (1) year 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 $4,708,167 (2014: $6,105,677) and a fall in profit before tax of $1,744,541 (2014: $1,969,266).

(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 $147,095 (2014: $114,648) and a fall in profit before tax of $138,738 (2014: $106,640).

(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 $2,691,688 (2014: $2,839,678) and a fall in profit before tax of $1,348,922 (2014: $1,443,533).

**Notes to the Consolidated Financial Statements**
Year ended June 30, 2015
*(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

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.

### 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 $381,277 (2014: $337,070).

### 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 $3,067,507 (2014: $2,929,013).

### 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 $167,333 (2014: $165,499).

## 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, 2015
*(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 Group 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, 2015
*(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, 2015 (all amounts in Trinidad and Tobago dollar)**

| | Motor and Casualty | Property | Total | % |
|---|---|---|---|---|
| Trinidad | 5,008,963,658 | 14,505,535,445 | 19,514,499,103 | 78% |
| Barbados | 137,575,883 | 1,162,554,603 | 1,300,130,486 | 5% |
| Dominica | 109,738,356 | 802,690,927 | 912,429,283 | 4% |
| Grenada | 242,286,447 | 1,235,177,914 | 1,477,464,361 | 6% |
| St. Lucia | 8,927,285 | 88,159,780 | 97,087,065 | 1% |
| St. Vincent | 131,364,391 | 616,094,012 | 747,458,403 | 3% |
| St. Kitts | 191,862,740 | 673,394,612 | 865,257,352 | 3% |
| **Total** | **$5,830,718,760** | **$19,083,607,293** | **$24,914,326,053** | **100%** |

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

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

| | 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.

#### 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 $3,722,232 (2014: $3,736,317).

**Notes to the Consolidated Financial Statements**
Year ended June 30, 2015
*(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)**

**iii) 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 by $2,680,960 (2014: $3,105,464).

Note 14 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, 2015
*(Expressed in Trinidad and Tobago Dollars)*

### 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 with duration between 91 and 181 days.

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, 2015**

| | Neither past due nor impaired | Past due but not impaired | Impaired | Total |
|---|---|---|---|---|
| Financial assets | | | | |
| - debt securities | 61,350,148 | - | - | 61,350,148 |
| - gross loans and receivables | 51,180,966 | 27,543,375 | 7,224,937 | 85,949,278 |
| Less provision for doubtful debts | | - | (7,224,937) | (7,224,937) |
| Reinsurance assets | 166,053,657 | - | - | 166,053,657 |
| Other assets | (582,451) | 2,319,926 | 400,601 | 2,138,076 |
| Less provision for doubtful debts | - | - | (400,601) | (400,601) |
| Short term deposits | 34,760,863 | - | - | 34,760,863 |
| Cash and cash equivalents | 83,417,421 | - | - | 83,417,421 |
| **Total** | **$396,180,604** | **$29,863,301** | **-** | **$426,043,905** |

## Notes to the Consolidated Financial Statements
Year ended June 30, 2015
*(Expressed in Trinidad and Tobago Dollars)*

### 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, 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** |

The Company currently holds collateral in the sum of $436,691 (2014: $2,736,691) 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, 2015**

| | 30 - 60 Days | Between 60 – 90 Days | Over 90 Days | Total |
|---|---|---|---|---|
| Financial assets | | | | |
| - loans and receivables | 15,505,490 | 10,550,101 | 1,487,784 | 27,543,375 |
| Other assets | 2,319,926 | - | - | 2,319,926 |
| **Total** | **$17,825,416** | **$10,550,101** | **$1,487,784** | **$29,863,301** |

**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** |

## Notes to the Consolidated Financial Statements
Year ended June 30, 2015
*(Expressed in Trinidad and Tobago Dollars)*

### 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**

| | 2015 | 2014 |
|---|---|---|
| At beginning of year | 6,741,398 | 5,669,245 |
| Increase in provision for the year | 884,140 | 1,072,153 |
| At end of year | **$7,625,538** | **$6,741,398** |

**(iv) Concentration of credit risk**

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

**As at June 30, 2015**

| | Trinidad and Tobago | Barbados | Eastern Caribbean | Non-Regional | Total |
|---|---|---|---|---|---|
| Financial assets | | | | | |
| - debt securities | 35,110,016 | 4,434,892 | 21,805,240 | | 61,350,148 |
| - loans and receivables | 63,396,658 | 2,220,768 | 13,106,915 | | 81,774,834 |
| Reinsurance assets | | | | 166,053,657 | 166,053,657 |
| Other assets | 635,651 | 262,620 | 839,204 | | 1,737,475 |
| Short term deposits | 6,000,000 | 7,557,800 | 21,203,063 | | 34,760,863 |
| Cash and cash equivalents | 60,104,095 | 1,042,985 | 22,270,341 | | 83,417,421 |
| **Total** | **$165,246,420** | **$15,519,065** | **$79,224,763** | **$166,053,657** | **$429,094,398** |

**As at June 30, 2014**

| | Trinidad and Tobago | Barbados | Eastern Caribbean | Non-Regional | 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 | 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** | **$167,013,834** | **$17,064,990** | **$74,854,748** | **$190,259,645** | **$449,193,217** |

**Notes to the Consolidated Financial Statements**
Year ended June 30, 2015
*(Expressed in Trinidad and Tobago Dollars)*

## 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, 2015**

| | **A** | **BBB** | **BB or below** | **No ratings assigned** | **Total** |
|---|---|---|---|---|---|
| Financial assets | | | | | |
| - debt securities | 21,507,040 | 36,015,122 | 2,116,494 | 1,711,492 | 61,350,148 |
| - loans and receivables | 3,050,492 | - | - | 78,724,342 | 78,724,342 |
| Reinsurance assets | 166,053,657 | - | - | - | 166,053,657 |
| Other assets | - | - | - | 1,737,475 | 1,737,475 |
| Short term deposits | 15,442,423 | - | 9,367,800 | 9,950,640 | 34,760,863 |
| Cash and cash equivalents | 29,462,699 | 28,997,702 | - | 24,957,020 | 83,417,421 |
| **Total** | **$232,465,819** | **$65,012,824** | **$11,484,294** | **$117,080,969** | **$426,043,906** |

**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** |

### 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 consolidated statement of financial position date to the contractual maturity date.

## Notes to the Consolidated Financial Statements

Year ended June 30, 2015

*(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)

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.

**As at June 30, 2015**

| | Up to One Year | One to Five Years | Over Five Years | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Financial assets | | | | |
| - available for sale | 24,346,781 | 23,604,593 | 18,920,946 | 66,872,320 |
| - loans and receivables | 78,243,031 | 435,666 | - | 78,678,697 |
| Reinsurance assets | 162,847,069 | 3,206,588 | - | 166,053,657 |
| Other assets | 1,737,475 | - | - | 1,737,475 |
| Short term deposits | 34,760,863 | - | - | 34,760,863 |
| Cash and cash equivalents | 83,417,421 | - | - | 83,417,421 |
| Total | 385,352,640 | 27,246,847 | 18,920,946 | 431,520,433 |
| **Liabilities** | | | | |
| Insurance liabilities | 301,745,960 | 10,355,038 | - | 312,100,998 |
| Reinsurance payable | 34,257,769 | - | - | 34,257,769 |
| Trade and other payables | 26,868,601 | - | - | 26,868,601 |
| Total | 362,872,330 | 10,355,038 | - | 373,227,368 |
| **Net liquidity risk** | **$22,480,310** | **$16,891,809** | **$18,920,946** | **$58,293,065** |

**As at June 30, 2015**

| | 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 |
| | 402,152,861 | 11,836,721 | - | 413,989,582 |
| **Net liquidity risk** | **$358,681** | **$30,587,712** | **$17,239,616** | **$48,186,009** |

**Notes to the Consolidated Financial Statements**
Year ended June 30, 2015
*(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)

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

#### 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 short term deposits and cash and cash equivalents. 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, 2015**

| | Carrying Value | 1% Movement in Interest Rates |
|---|---|---|
| Short term deposits | $34,760,863 | $347,609 |
| Cash and cash equivalents | $83,417,421 | $834,174 |

**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 |

## Notes to the Consolidated Financial Statements
Year ended June 30, 2015
*(Expressed in Trinidad and Tobago Dollars)*

### 4. Management of Insurance and Financial Risk (continued)

#### 4.2 Financial risk (continued)

#### 4.2.4 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, 2015**

| | Carrying Value | Fair Value |
|---|---|---|
| Available for sale financial assets | $75,263,077 | $75,263,077 |
| Mortgage and other loans | $12,116,696 | $12,116,696 |

**As at June 30, 2015**

| | 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 |

**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, 2015
*(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, 2015**

| | EC | Barbados | Other | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Financial assets | | | | |
| - available for sale | 15,601,205 | 4,434,892 | 19,863,613 | 39,899,710 |
| - loans and receivables | 13,106,916 | 2,220,768 | - | 15,327,684 |
| Reinsurance assets | 49,933,451 | 3,416,715 | - | 71,505,908 |
| Other assets | 839,204 | 262,620 | - | 1,101,824 |
| Short term deposits | 21,203,063 | 7,557,800 | - | 28,760,863 |
| Cash and cash equivalents | 22,270,341 | 1,042,985 | 3,424,579 | 26,737,905 |
| Total | 122,954,180 | 37,091,522 | 23,288,192 | 183,333,894 |
| **Liabilities** | | | | |
| Insurance liabilities | 74,437,916 | 11,836,721 | - | 331,695,151 |
| Reinsurance payable | 5,357,652 | - | - | 32,442 |
| Trade and other payables | 8,496,015 | 1,793,927 | - | 10,289,942 |
| Total liabilities | 88,291,583 | 40,483,768 | - | 128,775,351 |
| **Net currency gap** | **$34,662,597** | **$(3,392,246)** | **$23,288,192** | **$54,558,543** |
| **Effect of 1% change in exchange rates on consolidated statement of comprehensive income** | **$346,626** | **$(33,922)** | **$232,882** | **$545,585** |

## Notes to the Consolidated Financial Statements
Year ended June 30, 2015
*(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 | 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 consolidated statement of comprehensive income** | **$331,417** | **$(19,605)** | **$159,970** | **$471,783** |

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, 2015**

| | Carrying Value | Effect on Equity of a 5% Change |
|---|---|---|
| **Equities** | 13,912,929 | 695,646 |
| Listed | $13,912,929 | $695,646 |

**Notes to the Consolidated Financial Statements**
Year ended June 30, 2015
*(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, 2014**

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

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, 2015**

| Financial Instrument | Carrying Value $ | Fair Value $ |
|---|---|---|
| **Financial Assets** | | |
| *Available for sale* | | |
| Debt securities | 61,350,148 | 61,350,148 |
| Equities | 13,912,929 | 13,912,929 |
| | **$75,263,077** | **$75,263,077** |
| *Loans and receivables* | | |
| Loans and receivables | 78,724,341 | 78,724,341 |
| Reinsurance assets | 166,053,657 | 166,053,657 |
| Other assets | 1,737,475 | 1,737,475 |
| Short term deposits | 34,760,863 | 34,760,863 |
| Cash and cash equivalents | 83,417,421 | 83,417,421 |
| | **$364,693,757** | **$364,693,757** |
| **Financial Liabilities** | | |
| *Financial liabilities at amortised cost* | | |
| Insurance liabilities | 312,100,998 | 312,100,998 |
| Reinsurance payable | 34,257,769 | 34,257,769 |
| Trade and other payables | 26,868,601 | 26,868,601 |
| | **$373,227,368** | **$373,227,368** |

## Notes to the Consolidated Financial Statements
Year ended June 30, 2015
*(Expressed in Trinidad and Tobago Dollars)*

### 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, 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 | 72,852,994 |
| 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** | **$390,612,965** |
| **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** |

**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, 2015
*(Expressed in Trinidad and Tobago Dollars)*

## 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, 2015 (2014: nil).

**As at June 30, 2015**

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Financial Assets<br>- Available for sale | $13,912,929 | $61,350,148 | $ - | $75,263,077 |

**As at June 30, 2014**

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

### 4.2.6 Capital Management

The Group manages its shareholders' equity of $120,966,581 (2014: $104,627,449) 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, 2015
*(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.

**Notes to the Consolidated Financial Statements**
Year ended June 30, 2015
*(Expressed in Trinidad and Tobago Dollars)*

## 5. Property, Plant and Equipment

| | Leasehold Property | Freehold Properties | Furniture and Fittings | Office Equipment | Vehicles | Computer Equipment | Total |
|---|---|---|---|---|---|---|---|
| **Year ended June 30, 2015** | | | | | | | |
| Balance at July 1, 2014 | 29,937,812 | 13,212,707 | 5,546,844 | 4,469,134 | 4,069,454 | 29,645,584 | 86,881,535 |
| Additions | - | - | 227,780 | 58,326 | 824,500 | 2,098,761 | 3,209,367 |
| Disposals | - | - | (1,713) | (96,288) | - | (10,914) | (108,915) |
| Balance at June 30, 2015 | 29,937,812 | 13,212,707 | 5,772,911 | 4,431,172 | 4,893,954 | 31,733,431 | 89,981,987 |
| **Accumulated depreciation** | | | | | | | |
| Balance at July 1, 2014 | 1,574,873 | 1,157,386 | 2,993,637 | 2,941,079 | 2,296,275 | 20,451,147 | 31,414,397 |
| Charge on disposals | - | - | (925) | (43,041) | - | (3,964) | (47,930) |
| Depreciation charge | 477,939 | 91,567 | 335,334 | 333,454 | 597,973 | 2,698,931 | 4,535,198 |
| Balance at June 30, 2015 | 2,052,812 | 1,248,953 | 3,328,046 | 3,231,492 | 2,894,248 | 23,146,114 | 35,901,665 |
| **Net book value at June 30, 2015** | $27,885,000 | $11,963,754 | $2,444,865 | $1,199,680 | $1,999,706 | $8,587,317 | $54,080,322 |
| **Year ended June 30, 2014** | | | | | | | |
| **Cost** | | | | | | | |
| Balance at July 1, 2013 | 29,937,812 | 13,212,707 | 5,125,777 | 3,586,080 | 4,232,965 | 25,763,245 | 81,858,586 |
| Additions | - | - | 427,058 | 896,180 | 976,094 | 3,891,394 | 6,190,726 |
| Disposals | - | - | (5,991) | (13,126) | (1,139,605) | (9,055) | (1,167,777) |
| Balance at June 30, 2014 | 29,937,812 | 13,212,707 | 5,546,844 | 4,469,134 | 4,069,454 | 29,645,584 | 86,881,535 |
| **Accumulated depreciation** | | | | | | | |
| Balance at July 1, 2013 | 106,343 | 1,056,525 | 2,653,790 | 2,609,147 | 2,761,843 | 17,997,820 | 28,185,468 |
| Charge on disposals | - | - | - | - | (853,962) | (977) | (854,939) |
| Depreciation charge | 468,530 | 100,861 | 339,848 | 331,931 | 388,394 | 2,454,304 | 4,083,868 |
| Balance at June 30, 2014 | 1,574,873 | 1,157,386 | 2,993,638 | 2,941,078 | 2,296,275 | 20,451,147 | 31,414,397 |
| **Net book value at June 30, 2014** | **$28,362,939** | **$12,055,321** | **$2,553,206** | **$1,528,056** | **$1,773,179** | **$9,194,437** | **$55,467,138** |

Bank borrowings are secured on land and buildings for the value of $16,548,841 (2014: $16,806,216) (Note 16).

## Notes to the Consolidated Financial Statements
Year ended June 30, 2015
*(Expressed in Trinidad and Tobago Dollars)*

### 6. Retirement Benefit Asset

| | 2015 | 2014 |
|---|---|---|
| Retirement Benefit Asset | **$1,299,858** | **$1,272,128** |
| Amounts recognised in the statement of financial position are as follows: | | |
| Fair value of plan assets | 4,646,509 | 4,582,107 |
| Present value of funded obligations | (3,346,651) | (3,309,979) |
| Retirement Benefit Asset | **$1,299,858** | **$1,272,128** |
| Movement in the retirement benefit asset recognised over the year is as follows: | | |
| Beginning of the year | 1,272,128 | 1,406,960 |
| Net pension expense | 12,372 | (92,426) |
| Contributions paid | 15,358 | 1,624 |
| Effect of change in accounting standard | - | (44,030) |
| At end of year | **$1,299,858** | **$1,272,128** |
| Movement in the present value of funded obligation for the year is as follows: | | |
| Beginning of year | 3,309,979 | 3,193,781 |
| Interest cost | 261,094 | 250,697 |
| Current service cost | 215,754 | 174,769 |
| Benefit payments | (64,630) | (48,763) |
| Actuarial (gains)/losses | (375,546) | (260,505) |
| At end of year | **$3,346,651** | **$3,309,979** |
| Movement in the fair value of plan assets for the year is as follows: | | |
| Beginning of year | 4,582,106 | 4,556,712 |
| Expected return on plan assets | 45,741 | 26,734 |
| Company contributions | 15,357 | 1,624 |
| Employee contributions | 67,933 | 45,799 |
| Benefit payments | (64,628) | (48,763) |
| At end of year | **$4,646,509** | **$4,582,106** |
| Amounts recognised in the statement of comprehensive income: | | |
| *Profit or loss* | | |
| Current service cost | 147,820 | 128,969 |
| Interest cost | (83,263) | (91,007) |
| Net pension expense | 64,557 | 37,962 |
| *Other comprehensive income* | | |
| Expected return on plan assets | 298,617 | 314,969 |
| Net actuarial gains | (375,546) | (260,505) |
| | (76,929) | 54,464 |
| Net pension expense | **$(12,372)** | **$92,426** |
| Actual return on plan assets | **$45,741** | **$26,734** |

**Notes to the Consolidated Financial Statements**
Year ended June 30, 2015
*(Expressed in Trinidad and Tobago Dollars)*

## 6. Retirement Benefit Asset (continued)

| | 2015 | 2014 |
|---|---|---|
| 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 | 7.5% | 6.0% |
| Future salary increases | 6.5% | 6.5% |
| Future pension increases | 3.0% | 3.0% |
| NIS ceiling increases | 3.5% | 3.5% |
| Mortality – US Mortality tables | GAM94 | GAM94 |

| | 2015 | 2014 |
|---|---|---|
| The plan assets are invested in a managed fund held at Sagicor Life Inc. | **$4,646,509** | **$4,582,106** |

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, 2016 are $15,894.

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 | |
|---|---|---|
| | **2015** | **2014** |
| Equities | 46% | 77% |
| Real estate | 7% | 10% |
| Bonds | 30% | 3% |
| Mortgages | 10% | 2% |
| Deposits/Cash | 7% | 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 | $990,654 | $1,180,397 |
| Salary increase and NIS increase | $1,115,773 | $1,009,287 |

## 7. Financial Assets – Available For Sale

| | 2015 | 2014 |
|---|---|---|
| Equities | 18,464,529 | 14,078,889 |
| Government bonds | 23,343,278 | 16,776,495 |
| Corporate bonds | 38,006,870 | 41,803,757 |
| Provision for impairment | (4,551,600) | (4,551,600) |
| | **$75,263,077** | **$68,107,541** |

# Notes to the Consolidated Financial Statements
Year ended June 30, 2015
*(Expressed in Trinidad and Tobago Dollars)*

## 7. Financial Assets – Available For Sale (continued)

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

| | 2015 | 2014 |
|---|---|---|
| At beginning of year | 68,107,541 | 66,505,239 |
| Additions | 70,379,149 | 40,071,770 |
| Disposals | (62,527,223) | (38,958,631) |
| Net realised gains on financial assets | 125,525 | 397,580 |
| Net fair value change for the year | (821,915) | 91,583 |
| At end of year | **$75,263,077** | **$68,107,541** |

## 8. Financial Assets – Loans and Receivables

| | 2015 | 2014 |
|---|---|---|
| Mortgage and other loans | 12,098,098 | 11,626,605 |
| Amounts due from reinsurers | - | 5,412,033 |
| Amounts due from brokers | 58,969,963 | 42,036,520 |
| Amounts due from policyholders | 7,656,280 | 13,777,836 |
| At end of year | **$78,724,341** | **$72,852,994** |
| Current portion | 78,062,659 | 71,119,888 |
| Non-current portion | 661,682 | 1,733,106 |
| | **$78,724,341** | **$72,852,994** |

## 9. Reinsurance Assets

| | 2015 | 2014 |
|---|---|---|
| Current | 162,847,069 | 186,842,930 |
| Non-current | 3,206,588 | 3,416,715 |
| At end of year | **$166,053,657** | **$190,259,645** |

## 10. Deferred Income Taxes

| | 2015 | 2014 |
|---|---|---|
| At beginning of year | (772,479) | (36,019) |
| Credit to profit or loss (Note 20) | (62,967) | (745,740) |
| (Credit)/charge to other comprehensive income | (186,247) | 9,280 |
| At end of year | **$(1,021,693)** | **$(772,479)** |

## Notes to the Consolidated Financial Statements
Year ended June 30, 2015
*(Expressed in Trinidad and Tobago Dollars)*

### 10. Deferred Income Taxes (continued)

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 consolidate statement of financial position:

| | | |
|---|---|---|
| Deferred income tax assets | (3,586,697) | (3,552,938) |
| Deferred income tax liabilities | 2,565,004 | 2,780,459 |
| | **$(1,021,693)** | **$(772,479)** |

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.

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

| | Balance as at July 1, 2014 | Charge to Profit or Loss | (Credit)/Charge to Other Comprehensive Income | Balance as at June 30, 2015 |
|---|---|---|---|---|
| Deferred income tax liabilities: | | | | |
| Fair value gains on available for sale financial assets | 777,714 | - | (205,479) | 572,235 |
| Retirement benefit asset | 318,033 | (12,300) | 19,232 | 324,965 |
| Accelerated tax depreciation | 1,684,712 | (16,908) | - | 1,667,804 |
| | 2,780,459 | (29,208) | (186,247) | 2,565,004 |
| Deferred income tax assets: | | | | |
| Impairment provision | (1,137,968) | - | - | (1,137,968) |
| Tax losses carried forward | (2,414,970) | (33,759) | - | (2,448,729) |
| | (3,552,938) | (33,759) | - | (3,586,697) |
| **Net deferred income tax asset** | **$(772,479)** | **$(62,967)** | **$(186,247)** | **$(1,021,693)** |

| | Balance as at July 1, 2013 | Charge to Profit or Loss | (Credit)/Charge 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 | (1,137,968) | - | - | (1,137,968) |
| | (2,174,870) | (1,378,068) | - | (3,552,938) |
| **Net deferred income tax asset** | **$(36,019)** | **$(745,740)** | **$9,280** | **$(772,479)** |

**Notes to the Consolidated Financial Statements**
Year ended June 30, 2015
*(Expressed in Trinidad and Tobago Dollars)*

## 10. Deferred Income Taxes (continued)

| | 2015 | 2014 |
|---|---|---|
| Deferred income tax liabilities: | | |
| - to be realised after more than 12 months | 2,578,208 | 2,161,748 |
| - to be realised within 12 months | (13,204) | 618,711 |
| | **$2,565,004** | **$2,780,459** |
| Deferred income tax assets: | | |
| - to be realised after more than 12 months | (3,586,697) | (3,552,938) |
| | **$(3,586,697)** | **$(3,552,938)** |

## 11. Short Term Deposits

| | 2015 | 2014 |
|---|---|---|
| (i) At banks | 9,442,423 | 18,172,276 |
| (i) Supervisor of Insurance | 3,740,640 | 14,740,640 |
| (ii) Treasury bills | 21,577,800 | 12,000,000 |
| | **$34,760,863** | **$44,912,916** |

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 1.31% (2014: 1.89%).

## 12. Share Capital

| | 2015 | 2014 |
|---|---|---|
| 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** |

## 13. Statutory Reserve

| | 2015 | 2014 |
|---|---|---|
| Balance at beginning of year | 13,589,862 | 12,119,995 |
| Transfer from statement of comprehensive income | 4,100,888 | 1,469,867 |
| Balance at end of year | **$17,690,750** | **$13,589,862** |

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, 2015
*(Expressed in Trinidad and Tobago Dollars)*

### 14. Insurance Liabilities and Reinsurance Assets

| | 2015 | 2014 |
|---|---|---|
| **Insurance liabilities – gross** | | |
| *Short-term insurance contracts* | | |
| Claims reported and loss adjustment expenses | 94,163,339 | 122,113,536 |
| Claims incurred but not reported | 53,833,766 | 56,793,564 |
| Total insurance claims liability | 147,997,105 | 178,907,100 |
| Unearned premiums | 155,201,436 | 145,802,441 |
| Unexpired risks provision | 5,960,550 | 4,692,656 |
| Total unearned premiums and unexpired risk liability | 161,161,986 | 150,495,097 |
| *Long-term insurance contracts* | | |
| - Annuities | 2,089,299 | 1,767,028 |
| - Term life | 852,608 | 525,926 |
| Total long-term insurance contracts | 2,941,907 | 2,292,954 |
| **Total insurance liabilities - gross** | **$312,100,998** | **$331,695,151** |
| **Recoverable from reinsurers** | | |
| *Short-term insurance contracts* | | |
| Claims reported and loss adjustment expenses | 59,272,518 | 82,728,216 |
| Claims incurred but not reported | 26,855,328 | 27,922,908 |
| Total insurance claims recoverable | 86,127,846 | 110,651,124 |
| Unearned premiums | 79,758,666 | 79,448,370 |
| Long-term insurance contracts | 167,145 | 160,151 |
| **Total reinsurers' share of insurance liabilities** | **$166,053,657** | **$190,259,645** |
| **Insurance liabilities – net** | | |
| *Short-term insurance contracts* | | |
| Claims reported and loss adjustment expenses | 34,890,821 | 39,385,320 |
| Claims incurred but not reported | 26,978,438 | 28,870,656 |
| Total insurance claims liability | 61,869,259 | 68,255,976 |
| Unearned premiums | 75,442,770 | 66,354,071 |
| Unexpired risks provision | 5,960,550 | 4,692,656 |
| Total unearned premiums and unexpired risk | 81,403,320 | 71,046,727 |
| *Long-term insurance contracts* | | |
| - Annuities | 2,089,299 | 1,767,028 |
| - Term life | 685,463 | 365,775 |
| *Total long-term insurance contracts* | 2,774,762 | 2,132,803 |
| **Total insurance liabilities - net** | **$146,047,341** | **$141,435,506** |
| *Current* | 136,481,089 | 131,248,472 |
| *Non-current* | 9,566,252 | 10,187,034 |
| **Total insurance liabilities - net** | **$146,047,341** | **$141,435,506** |

## Notes to the Consolidated Financial Statements
Year ended June 30, 2015
*(Expressed in Trinidad and Tobago Dollars)*

### 14. Insurance Liabilities and Reinsurance Assets (continued)

#### 14.1 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.

#### 14.2 Movement in insurance liabilities and reinsurance assets

**(a) Claims and loss adjustment expenses**

**Year ended June 30, 2015**

| | Gross | Reinsurance | Net |
|---|---|---|---|
| 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 beginning of year** | 178,907,100 | (110,651,124) | 68,255,976 |
| Cash paid for claims settled in year | (136,945,353) | 40,468,961 | (96,476,392) |
| **Increase/(decrease) in liabilities** | | | |
| - arising from current year claims | 169,426,089 | (46,432,114) | 122,993,975 |
| - arising from prior year claims | (63,390,731) | 30,486,431 | (32,904,300) |
| **Total at end of year** | **$147,997,105** | **$(86,127,846)** | **$61,869,259** |
| Notified claims | 94,163,339 | (59,272,518) | 34,890,821 |
| Incurred but not reported | 53,833,766 | (26,855,328) | 26,978,438 |
| **Total at end of year** | **$147,997,105** | **$(86,127,846)** | **$61,869,259** |

# Notes to the Consolidated Financial Statements
Year ended June 30, 2015
*(Expressed in Trinidad and Tobago Dollars)*

## 14. Insurance Liabilities and Reinsurance Assets (continued)

### 14.1 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 consolidated statement of financial position. An accident year basis is considered to be most appropriate for the business written by the Group.

| **Accident year** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Insurance claims – gross | | | | | | | | | | | |
| - at end of accident year | 55,810,534 | 37,690,542 | 72,907,389 | 81,482,914 | 99,820,089 | 122,928,407 | 134,868,085 | 142,157,203 | 162,124,075 | 169,426,088 | |
| - one year later | 44,149,836 | 27,787,420 | 62,589,912 | 58,975,229 | 74,494,606 | 95,048,645 | 118,797,744 | 99,399,316 | 127,917,961 | - | |
| - two years later | 46,320,506 | 27,518,540 | 60,540,860 | 57,528,297 | 75,895,017 | 95,036,022 | 119,587,895 | 99,690,381 | - | - | |
| - three years later | 35,432,675 | 27,158,485 | 58,820,268 | 57,353,722 | 75,577,495 | 94,940,353 | 109,271,841 | - | - | - | |
| - four years later | 35,342,110 | 25,172,650 | 55,301,338 | 56,756,202 | 74,383,176 | 95,356,119 | - | - | - | - | |
| - five years later | 36,010,471 | 25,274,112 | 52,116,770 | 57,673,102 | 73,812,830 | - | - | - | - | - | |
| - six years later | 35,969,085 | 25,199,412 | 52,153,119 | 57,742,403 | - | - | - | - | - | - | |
| - seven years later | 36,275,547 | 25,175,653 | 52,175,416 | - | - | - | - | - | - | - | |
| - eight years later | 36,393,934 | 25,222,219 | - | - | - | - | - | - | - | - | |
| - nine years later | 37,548,365 | - | - | - | - | - | - | - | - | - | |
| Current estimate of cumulative claims | 37,548,365 | 25,222,219 | 52,175,416 | 57,742,403 | 73,812,830 | 95,356,119 | 109,271,841 | 99,690,381 | 127,917,961 | 169,426,088 | 848,163,623 |
| Cumulative payments to date | (36,256,399) | (25,217,618) | (51,365,861) | (57,485,170) | (72,810,336) | (92,809,188) | (89,601,686) | (93,291,529) | (111,919,523) | (94,519,679) | (725,276,989) |
| | 1,291,966 | 4,601 | 809,555 | 257,233 | 1,002,494 | 2,546,931 | 19,670,155 | 6,398,852 | 15,998,438 | 74,906,409 | 122,886,634 |
| Liabilities in respect of years prior to 2006 | | | | | | | | | | | 25,110,471 |
| Total insurance claims liability - gross | | | | | | | | | | | **$147,997,105** |

**Notes to the Consolidated Financial Statements**
Year ended June 30, 2015
*(Expressed in Trinidad and Tobago Dollars)*

## 14. Insurance Liabilities and Reinsurance Assets (continued)

### 14.1 Assumptions, change in assumptions and sensitivity

#### (a) Development of claims (continued)

| Accident year | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Insurance claims – net | | | | | | | | | | | |
| - at end of accident year | 29,068,381 | 27,057,241 | 40,956,878 | 52,675,306 | 68,547,089 | 75,562,469 | 78,143,037 | 78,792,788 | 94,319,209 | 122,993,975 | |
| - one year later | 25,634,379 | 25,006,026 | 44,390,266 | 42,927,588 | 57,916,905 | 64,562,533 | 71,445,709 | 86,115,357 | 110,804,420 | - | |
| - two years later | 26,672,171 | 24,678,431 | 45,289,338 | 40,752,823 | 60,498,039 | 64,883,497 | 71,810,280 | 85,849,739 | - | - | |
| - three years later | 25,669,373 | 24,313,540 | 43,661,728 | 40,931,313 | 59,725,592 | 64,846,167 | 70,184,301 | - | - | - | |
| - four years later | 24,688,202 | 22,876,513 | 35,387,920 | 41,717,055 | 58,495,692 | 65,410,193 | - | - | - | - | |
| - five years later | 25,839,630 | 22,935,478 | 34,675,836 | 41,400,824 | 57,721,276 | - | - | - | - | - | |
| - six years later | 25,799,562 | 22,868,181 | 34,714,798 | 41,582,756 | - | - | - | - | - | - | |
| - seven years later | 26,107,929 | 22,844,853 | 34,737,095 | - | - | - | - | - | - | - | |
| - eight years later | 26,226,317 | 22,889,916 | - | - | - | - | - | - | - | - | |
| - nine years later | 26,279,702 | - | - | - | - | - | - | - | - | - | |
| Current estimate of cumulative claims | 26,279,702 | 22,889,916 | 34,737,095 | 41,582,756 | 57,721,276 | 65,410,193 | 70,184,301 | 85,849,739 | 110,804,420 | 122,993,975 | 638,453,373 |
| Cumulative payments to date | (25,281,818) | (22,942,815) | (33,929,315) | (41,333,038) | (57,294,070) | (62,956,548) | (65,970,744) | (80,124,392) | (98,366,786) | (89,463,615) | (577,663,141) |
| | 997,884 | (52,899) | 807,780 | 249,718 | 427,206 | 2,453,645 | 4,213,557 | 5,725,347 | 12,437,634 | 33,530,360 | 60,790,232 |
| Liabilities in respect of years prior to 2006 | | | | | | | | | | | 1,079,026 |
| Total insurance claims liability - net | | | | | | | | | | | **$61,869,258** |

**Notes to the Consolidated Financial Statements**
Year ended June 30, 2015
*(Expressed in Trinidad and Tobago Dollars)*

### 14. Insurance Liabilities and Reinsurance Assets (continued)

### 14.2 Movement in insurance liabilities and reinsurance assets (continued)

(a) Claims and loss adjustment expenses (continued)

**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** |

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

| | Gross | Reinsurance | Net |
|---|---|---|---|
| Unearned premium provision | | | |
| At beginning of year | 145,802,441 | (79,448,370) | 66,354,071 |
| Increase in the period | 155,201,436 | (79,758,666) | 75,442,770 |
| Release in the period | (145,802,441) | 79,448,370 | (66,354,071) |
| **At end of year** | **$155,201,436** | **$(79,758,666)** | **$75,442,770** |
| Unexpired risk provision | | | |
| At beginning of year | 4,692,656 | - | 4,692,656 |
| Increase in the period | 5,960,550 | - | 5,960,550 |
| Release in the period | (4,692,656) | - | (4,692,656) |
| **At end of year** | **$5,960,550** | **$ -** | **$5,960,550** |

**Year ended June 30, 2014**

| | Gross | Reinsurance | Net |
|---|---|---|---|
| Unearned premium provision | | | |
| At beginning of year | 1132,427,655 | (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** |

## Notes to the Consolidated Financial Statements
Year ended June 30, 2015
*(Expressed in Trinidad and Tobago Dollars)*

### 15. Trade and other payables

| | 2015 | 2014 |
|---|---|---|
| Stale dated cheques | 6,590,584 | 5,539,170 |
| Accruals | 5,927,219 | 6,134,976 |
| Premium taxes payable | 4,108,967 | 3,674,858 |
| Interest income deferred | 2,269,329 | 2,362,030 |
| Statutory deposit outstanding | 1,150,000 | 1,150,000 |
| Sundry creditors | 1,096,271 | 2,206,249 |
| Other payables and accruals | 5,726,231 | 7,187,166 |
| | **$26,868,601** | **$28,254,449** |

### 16. Bank Borrowing Facilities

The Group's borrowing facilities comprise the following:

| | 2015 | 2014 |
|---|---|---|
| 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, if utilised, will be secured by land and buildings totalling $16,548,841 (2014: $16,806,216) included in property, plant and equipment.

### 17. Insurance Claims and Loss Adjustment Expenses

**Year ended June 30, 2015**

| | Gross | Reinsurance | Net |
|---|---|---|---|
| Current year claims and loss adjustment expenses | 169,426,089 | (46,664,714) | 122,761,375 |
| Prior year claims and loss adjustment expenses | (63,390,731) | 30,719,031 | (32,671,700) |
| | **$106,035,358** | **$(15,945,683)** | **$90,089,675** |

| | Gross | Reinsurance | Net |
|---|---|---|---|
| Current year claims and loss adjustment expenses | 162,124,076 | (47,009,618) | 115,114,458 |
| Prior year claims and loss adjustment expenses | (19,683,926) | (1,918,849) | (21,602,775) |
| | **$142,440,150** | **$(48,928,467)** | **$93,511,683** |

## Notes to the Consolidated Financial Statements
Year ended June 30, 2015
*(Expressed in Trinidad and Tobago Dollars)*

### 18. Other Operating and Administrative Expenses

| | 2015 | 2014 |
|---|---|---|
| Staff costs (See Note 19) | 39,917,106 | 40,097,736 |
| Rent and utilities | 10,548,921 | 10,335,814 |
| Advertising | 9,733,770 | 11,092,303 |
| Office expenses | 5,116,536 | 3,293,461 |
| Staff welfare | 4,616,376 | 3,695,822 |
| Depreciation and amortisation | 4,535,198 | 4,083,868 |
| Professional fees | 2,562,462 | 3,627,485 |
| Operating lease rentals | 2,560,977 | 2,547,119 |
| Repairs and maintenance | 2,088,693 | 1,893,866 |
| Bank charges | 1,061,195 | 931,095 |
| Bad debt expense, net of recoveries | 1,181,634 | 1,072,153 |
| Other miscellaneous expenses | 1,484,398 | 1,620,318 |
| | **$85,407,266** | **$83,631,163** |

### 19. Staff Costs

| | 2015 | 2014 |
|---|---|---|
| Wages and salaries | 38,172,313 | 38,421,726 |
| National insurance | 1,720,748 | 1,525,810 |
| Net pension expense - defined benefit plan | 24,045 | 150,200 |
| | $39,917,106 | $40,097,736 |
| Number of persons employed by the Group | 215 | 214 |

### 20. TaxationYear ended June 30, 2015

| | 2015 | 2014 |
|---|---|---|
| Current tax | 8,939,279 | 2,742,171 |
| Deferred income tax (Note 10) | (46,664,714) | (745,740) |
| Prior years over provision | (25,162) | 184,312 |
| | **$8,851,150** | **$2,180,743** |

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

| | | |
|---|---|---|
| Profit before taxation | $32,424,021 | $8,201,778 |
| Tax calculated at the rate of 25% | 8,106,005 | 2,050,445 |
| Effect of different tax rates in other countries | 806,298 | 298,766 |
| Income not subject to tax | (290,571) | (681,688) |
| Expenses not deductible for tax purposes | 219,653 | 1,074,648 |
| Tax losses carried forward | 91,404 | - |
| Business levy | 4,327 | - |
| Green fund levy | 2,163 | - |
| Deferred income tax (Note 10) | (62,967) | (745,740) |
| Prior year over provision | (25,162) | 184,312 |
| Tax charge | **$8,851,150** | **$2,180,743** |

## Notes to the Consolidated Financial Statements
Year ended June 30, 2015
*(Expressed in Trinidad and Tobago Dollars)*

### 21. 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:

| | 2015 | 2014 |
|---|---|---|
| i) Leasing of equipment and properties | $2,560,977 | $2,547,119 |
| ii) Administrative services | $85,407,266 | $83,631,163 |
| iii) Amounts due from related parties | $827,647 | $1,197,866 |
| iv) Provision for doubtful related party receivable balances | $68,854 | $68,188 |

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

| | | |
|---|---|---|
| Salaries and other short-term employee benefits | $11,672,572 | $12,815,689 |

### 22. Commitments

| | 2015 | 2014 |
|---|---|---|
| **(a) Capital commitments** | | |
| The following were the capital commitments of the Group: | | |
| Systems upgrade project | 736,000 | 439,209 |
| | **$736,000** | **$439,209** |
| **(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: | | |
| No later than one year | 2,224,256 | 2,241,743 |
| Later than one year and no later than five years | 184,401 | 931,884 |
| | **$2,408,657** | **$3,173,627** |

### 23. 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 consolidated 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.

## Notes to the Consolidated Financial Statements

Year ended June 30, 2015

*(Expressed in Trinidad and Tobago Dollars)*

### 24. Reclassifications

Where necessary, comparatives have been adjusted to conform to changes in presentation in the current year. The following are the details of the changes made to the comparative information.

| | As previously reported | Reclassification | As adjusted |
|---|---|---|---|
| Property, plant and equipment | 34,483,144 | 20,983,994 | 55,467,138 |
| Prepaid lease rental | 20,983,994 | (20,983,994) | |
| | **$5,600,000** | **$5,600,000** | **-** |

The above reclassification was necessary to correctly reflect the legal status of leased assets on the unconsolidated statement of financial position.

### 25. Subsequent Events

Management has evaluated the possibility of subsequent events existing in the Group's consolidated financial statements from July 1, 2015 through October 23, 2015, the date the consolidated 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 consolidated financial statements.

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