THE MARITIME FINANCIAL GROUP
(Maritime Life (Caribbean) Limited and its subsidiaries)
CONSOLIDATED FINANCIAL STATEMENTS

MARITIME LIFE (CARIBBEAN) LIMITED
UNCONSOLIDATED FINANCIAL STATEMENTS

MARITIME GENERAL INSURANCE COMPANY LIMITED
FINANCIAL STATEMENTS

DECEMBER 31, 2021

THE
MARITIME
FINANCIAL GROUP

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MARITIME LIFE
(CARIBBEAN) LIMITED

THE MARITIME FINANCIAL GROUP
(Maritime Life (Caribbean) Limited and its subsidiaries)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

ACTUARIAL CERTIFICATE

Maritime Life (Caribbean) Limited

In accordance with section 158 (1) (a) of the Insurance Act 2018, I have made a valuation of the actuarial liabilities of Maritime Life (Caribbean) Limited for its consolidated statement of financial position as at December 31, 2021. In my opinion, the aggregate amount of the liabilities of the Group in relation to its long term insurance business as at December 31, 2021 did not exceed the aggregate amount of those liabilities shown in the consolidated statement of financial position of the Group.

Nazir Valani

Nazir Valani, FSA, FCIA, MAAA
Appointed Actuary - Maritime Life (Caribbean) Limited
March 17, 2022

STATEMENT OF MANAGEMENT RESPONSIBILITIES

Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of Maritime Life (Caribbean) Limited, which comprise the consolidated statement of financial position as at December 31, 2021, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Group keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Group's assets, detection/prevention of fraud, and the achievement of the Group's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Group will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

Andrew Ferguson, BSc, CPCU, ARe, FLMI, AFSB
Chief Executive Officer, Chairman
March 29, 2022

Salahudeen Ali, FCCA, CA, CPA, CGA
Chief Financial Officer
March 29, 2022

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Maritime Life (Caribbean) Limited and its subsidiaries

Opinion
We have audited the consolidated financial statements of Maritime Life (Caribbean) Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards

INDEPENDENT AUDITORS' REPORT (continued)

Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter
Without qualifying our opinion we draw attention to Note 37 to the consolidated financial statements. The State laid several charges against the Company and two of its subsidiaries, together with other companies and individuals. In April 2011, the Prosecution informed the Court that they would not be proceeding with the initial charge against the Company in addition to some of the other charges. On 14 July 2017, the Company was discharged in respect of the remaining charges. The ultimate outcome of the matters against the subsidiaries cannot presently be determined, and no provision for any liability that may result has been made in the consolidated financial statements.

Other information included in the Group's 2021 Annual Report
Management is responsible for the other information. Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we concluded that there is a material misstatement of this other information, we are required to communicate the matter to the Board of Directors.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

PKF

PKF Chartered Accountants and Business Advisors
Barataria,
TRINIDAD
March 29, 2022

THE MARITIME FINANCIAL GROUP
(Maritime Life (Caribbean) Limited and its subsidiaries)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2021

	Notes	2021 $'000	2020 $'000
Assets			
Current assets	4	500,931	640,069
Deferred tax assets	5	146	47
Investment in associates	6	-	-
Financial assets	7	3,208,175	2,679,460
Investment properties	8	381,224	216,272
Property, plant and equipment	9	212,994	208,769
Total Assets		**4,303,470**	**3,744,617**
Financed by:			
Current liabilities	10	753,408	579,439
Deferred tax liabilities	5	12,078	11,933
Long term borrowings	11	303,437	107,756
Insurance contracts liabilities	12	2,108,751	2,061,760
Total Liabilities		3,177,674	2,760,888
Stated capital	13	16,584	16,584
Capital reserve	14	97,725	92,744
Catastrophe reserve	15	26,957	26,957
General reserve	16	12,334	12,334
Investment revaluation reserve	17	2,725	1,023
Foreign currency translation reserve	18	684	683
Statutory reserves	19	16,578	84,800
Retained earnings		824,678	626,795
Equity attributable to Shareholders of the Company		998,265	861,920
Non-controlling interests	20	127,531	121,809
Total Equity		1,125,796	983,729
Total Liabilities and Equity		**4,303,470**	**3,744,617**

These financial statements were approved by the Board of Directors and authorised for issue on March 29, 2022 and signed on their behalf by

Director **Director**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2021

	Notes	2021 $'000	2020 $'000
Revenue			
Premium income		434,629	443,267
Reinsurance recoveries		14,844	29,935
Investment income	21	273,231	142,424
Other income	22	64,880	65,502
		787,584	681,128
Expenses			
Policyholders' benefits	23	261,889	254,503
Reinsurance premiums		98,648	105,116
Interest on deposits and borrowings		22,207	18,846
Other direct costs	24	100,469	91,797
Expenses of management	25	167,077	135,138
		650,290	605,400
Surplus before taxation		137,294	75,728
Taxation	26	(8,494)	5,889
Surplus after taxation		**128,800**	**81,617**
Surplus attributable to:			
Shareholders of the company		120,418	76,734
Non-controlling interests	20	8,382	4,883
		128,800	**81,617**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2021

	Notes	2021	2020
Surplus after taxation		**128,800**	**81,617**
Other comprehensive income			
Items to be reclassified to profit or loss in subsequent periods:			
Foreign exchange losses	18	1	(1)
Unrealised (losses)/gains on debt investments at fair value through other comprehensive income		(57)	769
		(56)	768
Items not to be reclassified to profit or loss in subsequent periods:			
Re-measurement of post-employment benefit asset	4	4,122	(80)
Unrealised gains/(losses) on equity investments at fair value through other comprehensive income		1,759	(203)
Surplus on revaluation of owner-occupied properties	9	14,450	3,730
		20,331	3,447
Other comprehensive income for the year		**20,275**	**4,215**
Total comprehensive income for the year		**149,075**	**85,832**
Total comprehensive income attributable to:			
Shareholders of the company		140,693	80,949
Non-controlling interests	20	8,382	4,883
		149,075	**85,832**

The accompanying notes form part of these financial statements

THE MARITIME FINANCIAL GROUP
(Maritime Life (Caribbean) Limited and its subsidiaries)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2021

	Stated Capital $'000	Capital Reserve $'000	Catastrophe Reserve $'000	General Reserve $'000	Investment Revaluation Reserve $'000	Foreign Currency Translation Reserve $'000	Statutory Reserves $'000	Retained Earnings $'000	Shareholders Equity $'000	Non-Controliing Interests $'000	Total Equity $'000
Balance at December 31, 2019	**10,871**	**95,127**	**26,023**	**13,059**	**457**	**684**	**79,166**	**559,932**	**785,319**	**116,926**	**902,245**
Surplus after taxation	-	-	-	-	-	-	-	76,734	76,734	4,883	81,617
Other comprehensive income	-	3,730	-	-	566	(1)	-	(80)	4,215	-	4,215
Total comprehensive income	-	3,730	-	-	566	(1)	-	76,654	80,949	4,883	85,832
Dividends paid - 2019 (40¢)	-	-	-	-	-	-	-	(4,348)	(4,348)	-	(4,348)
Transfer share premium to stated capital	5,713	(5,713)	-	-	-	-	-	-	-	-	-
Transfers to/(from) retained earnings	-	(400)	934	(725)	-	-	5,634	(5,443)	-	-	-
	5,713	(2,383)	934	(725)	566	(1)	5,634	66,863	76,601	4,883	81,484
Balance at December 31, 2020	**16,584**	**92,744**	**26,957**	**12,334**	**1,023**	**683**	**84,800**	**626,795**	**861,920**	**121,809**	**983,729**
Balance at December 31, 2020	**16,584**	**92,744**	**26,957**	**12,334**	**1,023**	**683**	**84,800**	**626,795**	**861,920**	**121,809**	**983,729**
Surplus after taxation	-	-	-	-	-	-	-	120,418	120,418	8,382	128,800
Other comprehensive income	-	14,450	-	-	1,702	1	-	4,122	20,275	-	20,275
Total comprehensive income	-	14,450	-	-	1,702	1	-	124,540	140,693	8,382	149,075
Dividends paid - 2020 (40¢)	-	-	-	-	-	-	-	(4,348)	(4,348)	(2,660)	(7,008)
Transfers to/(from) retained earnings	-	(9,469)	-	-	-	-	(68,222)	77,691	-	-	-
	-	4,981	-	-	1,702	1	(68,222)	197,883	136,345	5,722	142,067
Balance at December 31, 2021	**16,584**	**97,725**	**26,957**	**12,334**	**2,725**	**684**	**16,578**	**824,678**	**998,265**	**127,531**	**1,125,796**

The accompanying notes form part of these financial statements

THE MARITIME FINANCIAL GROUP
(Maritime Life (Caribbean) Limited and its subsidiaries)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021

	2021 $'000	2020 $'000
Cash Flows from Operating Activities		
Surplus before taxation	137,294	75,728
Adjustments for:		
Depreciation (net)	8,502	8,027
Gains and losses (net)	(97,017)	13,601
Increase in insurance contracts liabilities	63,414	57,670
Operating surplus before working capital changes	112,193	155,026
Change in receivables	(27,202)	(9,997)
Change in customers' deposits and other funding instruments	173,289	82,602
Change in other payables	3,804	(7,755)
Cash generated from operations	262,084	219,876
Dividends paid to policyholders	(323)	(273)
Corporation taxes paid (net)	(6,364)	(11,493)
Net cash generated from operating activities	255,397	208,110
Cash Flows from Investing Activities		
Loans and receivables	(19,739)	(43,003)
Other financial assets	(482,110)	(35,039)
Investment properties	8,098	(33,662)
Property, plant and equipment	(5,394)	(10,005)
Net cash used in investing activities	(499,145)	(121,709)
Cash Flows from Financing Activities		
Borrowings	195,681	(47,096)
Dividends paid to non-controlling interests	(2,660)	-
Dividends paid to shareholders	(4,348)	(4,348)
Net cash used in financing activities	188,673	(51,444)
Net change in cash and cash equivalents	(55,075)	34,957
Cash and cash equivalents		
- at beginning of year	236,430	201,473
- at end of year (Note 27)	**181,355**	**236,430**

The accompanying notes form part of these financial statements

THE MARITIME FINANCIAL GROUP
(Maritime Life (Caribbean) Limited and its subsidiaries)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

1. Incorporation and Principal Activity

Maritime Life (Caribbean) Limited is incorporated in the Republic of Trinidad and Tobago and was continued under the provisions of the Companies Act, 1995 on 23rd March, 1999. Its principal activity is the carrying on of all classes of long term insurance business in Trinidad and Tobago. The Company's registered office and principal place of business are located at 29 Tenth Avenue, Barataria.

2. Summary of Significant Accounting Policies

(a) Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and are stated in thousands of Trinidad and Tobago dollars. They have been prepared under the historical cost convention except for the following assets which are stated at fair values: financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI), investment properties, owner-occupied properties and post-employment benefit asset.

The accounting policies used are consistent with those of previous years except for the adoption of new standards and interpretations noted below.

(b) New Accounting Standards and Interpretations

i) New standards and amendments/revisions to published standards and interpretations effective in 2021 but not applicable to the Group

The Group has not applied the amendments to the following standards which became effective during the current financial year as either they do not apply to the activities of the Group or have no material impact on the financial statements.

Effective for annual periods beginning on or after 1 January 2021

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. With publication of the phase two amendments, the IASB has completed its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

Effective for annual periods beginning on or after 1 April 2021

Amendment to IFRS 16 - Covid-19-Related Rent Concessions beyond 30 June 2021.

Effective for annual periods beginning on or after 1 April 2021. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic.

ii) New interpretations and amended/revised standards that are not yet in effect and have not been early adopted by the Group

The following is a list of new IFRS standards and amendments issued that are not yet in effect as at December 31, 2021. The Group is currently assessing the impact of adopting these standards and interpretations.

Effective for annual periods beginning on or after 1 January 2022

Amendments to IFRS 3 - Reference to the Conceptual Framework.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

2. Summary of Significant Accounting Policies (continued)

(b) New Accounting Standards and Interpretations (continued)

ii) New interpretations and amended/revised standards that are not yet in effect and have not been early adopted by the Group (continued)

IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use.

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

Amendments to IAS 37 - Onerous Contracts – Costs of Fulfilling a Contract.

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter.

The amendment permits a subsidiary that elects to apply paragraph D16 (a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16 (a) of IFRS 1.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities.

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

IAS 41 Agriculture – Taxation in fair value measurements.

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted.

IFRS 17 - Insurance Contracts

In December 2021, the IASB amended IFRS 17 to add a transition option for a "classification overlay" to address possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of IFRS 17. If an entity elects to apply the classification overlay, it can only do so for comparative periods to which it applies IFRS 17 (i.e., from transition date to the date of initial application of IFRS 17).

2. Summary of Significant Accounting Policies (continued)

(b) New Accounting Standards and Interpretations (continued)

ii) New interpretations and amended/revised standards that are not yet in effect and have not been early adopted by the Group (continued)

Effective for annual periods beginning on or after 1 January 2023

Amendments to IAS 8 -	Definition of Accounting Estimates

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

Amendments to IAS 1 -	Classification of Liabilities as Current or Non-current.
Amendments to IAS 1 - and IFRS	Practice Statement 2-Disclosure of Accounting Policies.
Amendments to IAS 12 -	Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

(c) Comparative figures

Certain comparative figures were restated to facilitate changes in presentation. These changes had no effect on the previously reported surplus.

(d) Basis of consolidation

i) Subsidiaries

The consolidated financial statements include the accounts of Maritime Life (Caribbean) Limited and its subsidiaries. All significant intra-group balances, transactions, income and expenses have been eliminated on consolidation.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has power over the investee (i.e. existing right that give it the current ability to direct the relevant activities of the investee), exposure or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The Group considers all relevant facts and circumstances in assessing whether it has power over an investee; including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements, and the Group's voting rights and potential voting rights. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date control ceases.

The Group uses the purchase method of accounting for the acquisition of subsidiaries. The cost of the acquisition is measured as the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed and equity instruments issued plus costs directly attributable to the acquisition. The excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill is reviewed annually for impairment. Where the fair value of the Group's share of the identifiable net assets acquired exceeds the cost of the acquisition, the gain is recognised in profit or loss.

On October 06, 2011 the Group invested $50 million in non-cumulative, non-voting convertible preference shares of Development Finance Limited. During 2012, $30 million of these preference shares were converted into ordinary shares, representing a 49.75% interest. The option to convert the balance of $20 million can be exercised at anytime, at the Group's discretion. The company's financial statements were prepared as at December 31, 2021 and were audited by KPMG Chartered Accountants, Port-of-Spain, Trinidad.

South Coast One Limited and South Coast Two Limited were incorporated in the Republic of Trinidad and Tobago on March 18, 2016 and registered as external companies under the provisions of the Companies Act Chapter 308 of the Laws of Barbados. They acquired properties in Barbados in May 2016, and commenced leasing operations effective June 2016. There were two (2020: two units) disposals during the year.

The Group acquired the shares of Caribbean Microfinance Trinidad and Tobago Limited on August 15, 2016. The company's last financial statements were prepared as at December 31, 2021.

During 2015 and 2016, the Group invested in the Maritime Income & Growth Fund, (previously AIC TT Income & Growth Fund), and the Maritime Global Equity Fund (previously AIC TT Global Equity Fund), which were originally established by AIC Financial Group Limited (the "Former Fund Manager") under a Trust Deed dated November 2, 2004. The Former Fund Manager resigned effective February 23, 2014 and at a unit-holder's meeting on March 20, 2014 it was resolved to appoint Maritime Capital Limited, a wholly owned subsidiary of Maritime Life (Caribbean) Limited, as the new Fund manager. This was approved by the SEC under their cover letter dated February 5, 2015. The last audited financial statements for these funds as at April 30, 2021 were audited by BDO, Port-of-Spain, Trinidad. The Group held 91.70% (2020: 92.74%) and 90.00% (2020: 89.84%) respectively of these funds as at December 31, 2021.

There were no disposals of subsidiaries during the year.

A listing of the subsidiaries, their principal activities and place of incorporation is given in Note 38.

ii) Non-controlling interests

Non-controlling interests is that portion of the net surplus and net assets of a subsidiary that are not owned, directly or indirectly, by the Group.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

2. Summary of Significant Accounting Policies (continued)

(d) Basis of consolidation (continued)

iii) Associates

Associates are all entities over which the Group has significant influence i.e. the power to participate in the financial and operating policy decisions but is not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights, and that is neither a subsidiary nor an interest in a joint venture. Investments in associates are accounted for using the equity method. Under the equity method the investments in associates are stated at cost plus the post acquisition changes in the Group's share of the associate's net assets, less any impairment in value. The Group's share of the results of operations of the associates, are included in profit or loss, whereas the share of the other comprehensive income of the associates, are included in other comprehensive income. There are no associates as at December 31, 2021.

(e) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash and bank balances, short term investments and bank overdrafts.

Short term investments are highly liquid investments and comprise deposits placed with licensed banks and financial institutions and investments in treasury bills.

(f) Inventories

Inventories comprise goods held for resale in the ordinary course of business and are stated at the lower of cost and net realisable value. Cost is determined on the first in first out basis. Net realisable value is the estimated selling price in the ordinary course of business.

The carrying amount of inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs.

(g) Land development

Land development represents lands held for development and resale and are stated at cost, plus development expenditure incurred and directly attributable borrowing costs. These costs are carried forward until the lands are sold.

(h) Financial instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument.

(i) Financial assets

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date on which the Group commits itself to purchase or sell an asset. A regular way purchase and sale of financial assets is a purchase or sale of an asset under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned.

When financial assets are recognised initially, they are measured at fair value of the consideration given plus transactions costs directly attributable to the acquisition of the asset.

Financial assets are derecognised when the contractual rights to receive the cash flows expire or where the risks and rewards of ownership of the assets have been transferred.

The Group classifies its financial assets based on the Group's business model and the financial assets contractual terms, measured at: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) and amortized cost (AC).

The Group measures debt instruments/loans at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amounts outstanding.

The Business Model reflects how the Group manages groups of financial assets to generate cash flows and achieve its business objective. An assessment is made at a portfolio level and is based on factors such as:

- The stated objectives and policies of the portfolios,
- How information about financial assets and their performance is reported and evaluated by the entity's key management personnel,
- Management's identification of and response to the risks that affect the performance of the business model.

The SPPI Test requires the Group to assess the contractual terms of the financial assets. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes typically the consideration for the time value of money and credit risk. However, where the contractual term introduces volatilities that are inconsistent with a basic lending arrangement or risk exposures, the related financial assets are to be classified and measured at FVTPL.

Equity instruments are generally measured at FVTPL. However entities have an irrevocable option, on an investment-by-investment basis to present changes in the value of non-trading instruments in other comprehensive income without subsequent reclassification to profit or loss.

Financial assets at amortised cost includes loans.

- Loans comprise policy loans, automatic premium loans, mortgage loans and other loans.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

2. Summary of Significant Accounting Policies (continued)

(i) Financial assets (continued)

- Policy loans and automatic premium loans are stated at outstanding principal plus accrued interest and are secured by the cash surrender values of the respective policies.
- Mortgage loans and other loans are stated at amortised principal using the effective interest rate method, less provision for impairment losses. Specific provisions are made for potential losses on non-performing loans on the basis of net realisable value. Periodic portfolio reviews are conducted during the course of each year to determine the adequacy of provisions.
- Mortgage loans are secured by residential and commercial properties whereas loans to small and medium enterprises and other loans are secured by various forms of collateral, including charges over tangible assets, hire purchase agreements, certificates of deposit, assignment of funds and personal guarantees.

(j) Impairment of financial assets

Under IFRS 9, the Group recognizes an allowance for expected credit losses (ECLs) associated with its assets carried at amortized cost at each reporting date.

ECLs are measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether the asset is considered to be credit impaired. The Group uses the probability of default (PD) approach when calculating ECLs.

The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. Lifetime ECL results from all possible default events over the expected life of the financial instrument. Both 12-month and lifetime ECLs are calculated on either an individual or collective basis, depending on the size and nature of the underlying portfolio of financial assets.

IFRS 9 outlines a three-stage model for impairment, which the Group uses to classify its financial assets:

Stage 1: When financial assets are first recognized, are not credit impaired, continue to perform in accordance with its contractual terms and conditions and credit risk is continuously monitored, the Group records an allowance based on 12-month ECLs.

Stage 2: When financial assets are identified as having significant increases in credit risk since origination, but are not yet deemed to be credit impaired, the Group records an allowance based on lifetime ECLs.

Stage 3: When financial assets have objective evidence of impairment at the reporting date i.e. when these financial assets are deemed to be credit impaired, the Group records an allowance based on lifetime ECLs.

(k) Investment properties

Investment properties comprise land and buildings held to earn rentals and/or for capital appreciation rather than occupied by the Group for use in the supply of goods and services or for administrative purposes. Land and buildings that comprise a portion held to earn rentals and/or for capital appreciation and another portion that is occupied by the Group for administrative purposes are classified as investment properties only if an insignificant portion is held for administrative purposes. Otherwise, it is classified under property, plant and equipment.

An investment property is recognised as an asset only if it is probable that the future economic benefits that are associated with the investment property will flow to the Group and its cost can be measured reliably.

Investment properties are measured initially at cost including transaction costs. Cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction.

After initial recognition investment properties are measured at fair values. Fair values are based on independent professional open market valuations that are conducted at least once every three years. The last valuations were done in 2020 and 2021. Gains and losses arising from changes in fair values are included in profit or loss in the period in which they arise.

Transfers to or from investment properties are only made when there is a change in use.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss arising from the retirement or disposal is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss in the period of retirement or disposal.

(l) Property, plant and equipment

(i) Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset only if it is probable that the future economic benefits associated with the item will flow to the Group and its cost can be measured reliably.

Cost includes the purchase price and any expenditure directly attributable to the acquisition of the item. Expenditures incurred for repairs and maintenance are recognised in profit or loss as incurred.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of the item is determined as the difference between the net disposal proceeds and the carrying amount of the item and is recognised in profit or loss when the item is derecognised.

ii) Owner occupied properties comprise land and buildings used by the Group for the supply of goods and services or for administrative purposes and are stated at fair values less accumulated depreciation and accumulated impairment losses.

2. Summary of Significant Accounting Policies (continued)

(b) New Accounting Standards and Interpretations (continued)

ii) New interpretations and amended/revised standards that are not yet in effect and have not been early adopted by the Group (continued)

Effective for annual periods beginning on or after 1 January 2023

Amendments to IAS 8 - Definition of Accounting Estimates

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

Amendments to IAS 1 -	Classification of Liabilities as Current or Non-current.
Amendments to IAS 1 - and IFRS	Practice Statement 2-Disclosure of Accounting Policies.
Amendments to IAS 12 -	Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

(c) Comparative figures

Certain comparative figures were restated to facilitate changes in presentation. These changes had no effect on the previously reported surplus.

(d) Basis of consolidation

i) Subsidiaries

The consolidated financial statements include the accounts of Maritime Life (Caribbean) Limited and its subsidiaries. All significant intra-group balances, transactions, income and expenses have been eliminated on consolidation.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has power over the investee (i.e. existing right that give it the current ability to direct the relevant activities of the investee), exposure or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The Group considers all relevant facts and circumstances in assessing whether it has power over an investee; including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements, and the Group's voting rights and potential voting rights. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date control ceases.

The Group uses the purchase method of accounting for the acquisition of subsidiaries. The cost of the acquisition is measured as the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed and equity instruments issued plus costs directly attributable to the acquisition. The excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill is reviewed annually for impairment. Where the fair value of the Group's share of the identifiable net assets acquired exceeds the cost of the acquisition, the gain is recognised in profit or loss.

On October 06, 2011 the Group invested $50 million in non-cumulative, non-voting convertible preference shares of Development Finance Limited. During 2012, $30 million of these preference shares were converted into ordinary shares, representing a 49.75% interest. The option to convert the balance of $20 million can be exercised at anytime, at the Group's discretion. The company's financial statements were prepared as at December 31, 2021 and were audited by KPMG Chartered Accountants, Port-of-Spain, Trinidad.

South Coast One Limited and South Coast Two Limited were incorporated in the Republic of Trinidad and Tobago on March 18, 2016 and registered as external companies under the provisions of the Companies Act Chapter 308 of the Laws of Barbados. They acquired properties in Barbados in May 2016, and commenced leasing operations effective June 2016. There were two (2020: two units) disposals during the year.

The Group acquired the shares of Caribbean Microfinance Trinidad and Tobago Limited on August 15, 2016. The company's last financial statements were prepared as at December 31, 2021.

During 2015 and 2016, the Group invested in the Maritime Income & Growth Fund, (previously AIC TT Income & Growth Fund), and the Maritime Global Equity Fund (previously AIC TT Global Equity Fund), which were originally established by AIC Financial Group Limited (the "Former Fund Manager") under a Trust Deed dated November 2, 2004. The Former Fund Manager resigned effective February 23, 2014 and at a unit-holder's meeting on March 20, 2014 it was resolved to appoint Maritime Capital Limited, a wholly owned subsidiary of Maritime Life (Caribbean) Limited, as the new Fund manager. This was approved by the SEC under their cover letter dated February 5, 2015. The last audited financial statements for these funds as at April 30, 2021 were audited by BDO, Port-of-Spain, Trinidad. The Group held 91.70% (2020: 92.74%) and 90.00% (2020: 89.84%) respectively of these funds as at December 31, 2021.

There were no disposals of subsidiaries during the year.

A listing of the subsidiaries, their principal activities and place of incorporation is given in Note 38.

ii) Non-controlling interests

Non-controlling interests is that portion of the net surplus and net assets of a subsidiary that are not owned, directly or indirectly, by the Group.

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2. Summary of Significant Accounting Policies (continued)

(d) Basis of consolidation (continued)

iii) Associates

Associates are all entities over which the Group has significant influence i.e. the power to participate in the financial and operating policy decisions but is not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights, and that is neither a subsidiary nor an interest in a joint venture. Investments in associates are accounted for using the equity method. Under the equity method the investments in associates are stated at cost plus the post acquisition changes in the Group's share of the associate's net assets, less any impairment in value. The Group's share of the results of operations of the associates, are included in profit or loss, whereas the share of the other comprehensive income of the associates, are included in other comprehensive income. There are no associates as at December 31, 2021.

(e) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash and bank balances, short term investments and bank overdrafts.

Short term investments are highly liquid investments and comprise deposits placed with licensed banks and financial institutions and investments in treasury bills.

(f) Inventories

Inventories comprise goods held for resale in the ordinary course of business and are stated at the lower of cost and net realisable value. Cost is determined on the first in first out basis. Net realisable value is the estimated selling price in the ordinary course of business.

The carrying amount of inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs.

(g) Land development

Land development represents lands held for development and resale and are stated at cost, plus development expenditure incurred and directly attributable borrowing costs. These costs are carried forward until the lands are sold.

(h) Financial instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument.

(i) Financial assets

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date on which the Group commits itself to purchase or sell an asset. A regular way purchase and sale of financial assets is a purchase or sale of an asset under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned.

When financial assets are recognised initially, they are measured at fair value of the consideration given plus transactions costs directly attributable to the acquisition of the asset.

Financial assets are derecognised when the contractual rights to receive the cash flows expire or where the risks and rewards of ownership of the assets have been transferred.

The Group classifies its financial assets based on the Group's business model and the financial assets contractual terms, measured at: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) and amortized cost (AC).

The Group measures debt instruments/loans at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amounts outstanding.

The Business Model reflects how the Group manages groups of financial assets to generate cash flows and achieve its business objective. An assessment is made at a portfolio level and is based on factors such as:

- The stated objectives and policies of the portfolios,
- How information about financial assets and their performance is reported and evaluated by the entity's key management personnel,
- Management's identification of and response to the risks that affect the performance of the business model.

The SPPI Test requires the Group to assess the contractual terms of the financial assets. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes typically the consideration for the time value of money and credit risk. However, where the contractual term introduces volatilities that are inconsistent with a basic lending arrangement or risk exposures, the related financial assets are to be classified and measured at FVTPL.

Equity instruments are generally measured at FVTPL. However entities have an irrevocable option, on an investment-by-investment basis to present changes in the value of non-trading instruments in other comprehensive income without subsequent reclassification to profit or loss.

Financial assets at amortised cost includes loans.

- Loans comprise policy loans, automatic premium loans, mortgage loans and other loans.

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2. Summary of Significant Accounting Policies (continued)

(i) Financial assets (continued)

- Policy loans and automatic premium loans are stated at outstanding principal plus accrued interest and are secured by the cash surrender values of the respective policies.
- Mortgage loans and other loans are stated at amortised principal using the effective interest rate method, less provision for impairment losses. Specific provisions are made for potential losses on non-performing loans on the basis of net realisable value. Periodic portfolio reviews are conducted during the course of each year to determine the adequacy of provisions.
- Mortgage loans are secured by residential and commercial properties whereas loans to small and medium enterprises and other loans are secured by various forms of collateral, including charges over tangible assets, hire purchase agreements, certificates of deposit, assignment of funds and personal guarantees.

(j) Impairment of financial assets

Under IFRS 9, the Group recognizes an allowance for expected credit losses (ECLs) associated with its assets carried at amortized cost at each reporting date.

ECLs are measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether the asset is considered to be credit impaired. The Group uses the probability of default (PD) approach when calculating ECLs.

The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. Lifetime ECL results from all possible default events over the expected life of the financial instrument. Both 12-month and lifetime ECLs are calculated on either an individual or collective basis, depending on the size and nature of the underlying portfolio of financial assets.

IFRS 9 outlines a three-stage model for impairment, which the Group uses to classify its financial assets:

Stage 1: When financial assets are first recognized, are not credit impaired, continue to perform in accordance with its contractual terms and conditions and credit risk is continuously monitored, the Group records an allowance based on 12-month ECLs.

Stage 2: When financial assets are identified as having significant increases in credit risk since origination, but are not yet deemed to be credit impaired, the Group records an allowance based on lifetime ECLs.

Stage 3: When financial assets have objective evidence of impairment at the reporting date i.e. when these financial assets are deemed to be credit impaired, the Group records an allowance based on lifetime ECLs.

(k) Investment properties

Investment properties comprise land and buildings held to earn rentals and/or for capital appreciation rather than occupied by the Group for use in the supply of goods and services or for administrative purposes. Land and buildings that comprise a portion held to earn rentals and/or for capital appreciation and another portion that is occupied by the Group for administrative purposes are classified as investment properties only if an insignificant portion is held for administrative purposes. Otherwise, it is classified under property, plant and equipment.

An investment property is recognised as an asset only if it is probable that the future economic benefits that are associated with the investment property will flow to the Group and its cost can be measured reliably.

Investment properties are measured initially at cost including transaction costs. Cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction.

After initial recognition investment properties are measured at fair values. Fair values are based on independent professional open market valuations that are conducted at least once every three years. The last valuations were done in 2020 and 2021. Gains and losses arising from changes in fair values are included in profit or loss in the period in which they arise.

Transfers to or from investment properties are only made when there is a change in use.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss arising from the retirement or disposal is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss in the period of retirement or disposal.

(l) Property, plant and equipment

(i) Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset only if it is probable that the future economic benefits associated with the item will flow to the Group and its cost can be measured reliably.

Cost includes the purchase price and any expenditure directly attributable to the acquisition of the item. Expenditures incurred for repairs and maintenance are recognised in profit or loss as incurred.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of the item is determined as the difference between the net disposal proceeds and the carrying amount of the item and is recognised in profit or loss when the item is derecognised.

ii) Owner occupied properties comprise land and buildings used by the Group for the supply of goods and services or for administrative purposes and are stated at fair values less accumulated depreciation and accumulated impairment losses.

2. Summary of Significant Accounting Policies (continued)

(x) Expenses of management (continued)

i) Employee benefits (continued)

The expected cost of accumulating compensated absences for vacation and sick leave not yet taken is measured as the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

ii) Post-employment benefits

The Group has three pension plans.

All full time employees of Maritime Life (Caribbean) Limited and its wholly owned subsidiaries participate in a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which an entity pays a fixed contribution into a fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and future periods. The Group's contribution to this plan is charged to profit or loss as incurred.

The subsidiary, Development Finance Limited, operates a defined contribution plan which cover employees employed since 2015 and a defined benefit plan for its other employees. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The assets of the plan are held in a separate trustee-administered fund. The pension plan is funded by contributions from the subsidiary and the employees taking account the recommendations of independent qualified actuaries. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in employee benefits in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to, or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

iii) Other administrative expenses

Other administrative expenses include office, technology, real estate, legal and professional fees, advertising and sales promotions, and miscellaneous expenses.

(y) Foreign currencies

Foreign currency transactions during the year are translated into Trinidad and Tobago dollars at the exchange rates ruling at the date of the transactions. Assets and liabilities in foreign currencies at the reporting date are expressed in Trinidad and Tobago dollars at the exchange rates ruling at that date. Profits and losses arising on monetary assets and liabilities are accounted for in profit or loss whereas those arising on non-monetary assets and liabilities are accounted for in other comprehensive income.

(z) Taxation

i) Deferred taxation is provided using the liability method for all temporary differences between the carrying amounts and tax bases of assets and liabilities using current corporation tax rates. The principal temporary differences arise from tax losses carried forward, depreciation of property, plant and equipment, and amounts credited directly to equity. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

ii) Corporation tax is charged annually at 15% of investment and other income relating to long term insurance funds (other than approved pension plans) less investment expenses allowable in relation thereto. A further 10% corporation tax is chargeable on net surpluses arising from the annual actuarial valuations, when these are transferred to shareholders.

iii) The profits of Development Finance Limited and Caribbean Microfinance Trinidad and Tobago Limited are exempt from taxation under the Corporation Tax Act, Chapter 75.02 as amended, but the companies are required to pay Green Fund Levy.

iv) Corporation tax is charged annually at 30% (2020: 30%) in respect of surpluses from short term insurance and other operations.

(aa) Administered funds

The assets and liabilities under administration by the Group have not been included in these financial statements. Gross assets under administration amounted to $12,567,000 at December 31, 2021 (2020: $5,634,000).

3. Critical Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty

(a) The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions in the process of applying the Group's accounting policies.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. Critical Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty (continued)

These are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are reviewed on an ongoing basis. Actual results could differ from those estimates.

Changes in accounting estimates are recognised in profit or loss in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

(b) Critical judgements

The critical judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

- **i)** Whether investments are classified as financial assets at fair value through profit or loss, financial assets through other comprehensive income, or financial assets at amortised cost.
- **ii)** Measurement of the expected loss allowance.
- **iii)** Whether land and buildings are classified as land development, investment properties or owner-occupied properties.
- **iv)** Whether leases are classified as operating leases or finance leases.
- **v)** Which depreciation method for property, plant and equipment is used.
- **vi)** Which cost formula is used for the valuation of inventories.
- **vii)** Whether policy contracts issued are classified as insurance contracts or investment contracts.
- **viii)** The methods used for the valuation of liabilities arising under insurance contracts.
- **ix)** When insurance premiums are recognised in profit or loss.

(c) Key assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date (requiring management's most difficult, subjective or complex judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

i) Fair values

The fair values of financial assets are based on quoted market prices for specific or similar instruments.

The fair values of land and buildings are based on independent professional open market valuations.

ii) Measurement of the expected credit loss allowance - IFRS 9

The measurement of impairment losses under IFRS 9 requires the use of complex models and requires significant assumptions. A number of significant accounting judgements and estimates were required for the ECL model, these include:

- The Group's internal credit rating model, as this was used in calculating PD;
- The estimation of the present value of collateral values when determining impairment losses;
- Determining criteria for assessing if there has been a significant increase in credit risk; and
- Development of ECL models, including the various formulae.

iii) Business Model Assessment

Classification and measurement of financial assets depends on the results of the SPPI and business model assessment. The Group determines the business model at a level that reflects how financial assets are managed together to achieve the business objectives. An assessment is made at a portfolio level and is based on factors such as:

- How information about financial assets and their performance is reported and evaluated by the entity's key management personnel; and
- Management's identification of and response to the risks that affect the performance of the business model.

iv) Deferred tax assets

Management uses judgement in determining whether it is probable that future taxable profits will be available against which unused tax losses can be utilised before deferred tax assets arising therefrom are recognised.

v) Property, plant and equipment

Management exercises judgement in determining whether future economic benefits can be derived from expenditures to be capitalised, and the useful lives and residual values of these assets.

vi) Long term insurance contracts liabilities

Management and the Appointed Actuary determine, at the inception of the contract, assumptions regarding mortality, morbidity, lapses, surrenders, return on investments, and the level of expenses that have a material effect on the valuation of insurance liabilities. These assumptions are based on past experience as well as prevailing and expected future conditions. They are reviewed annually and are changed as current and future expected circumstances change.

vii) Short-term insurance contracts liabilities

Management estimates the cost of claims incurred but not settled at the year-end date and claims incurred but not reported until after the year-end date, based on input from adjustors and past claims development experience. Estimates are also made for unexpired risks, calculated as a percentage of unearned premiums. The estimates are reviewed for adequacy on an ongoing basis and the provisions are adjusted accordingly.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

4. Current Assets

	2021 $'000	2020 $'000
Cash and bank balances	178,849	156,976
Short term investments	17,246	99,583
Central Bank reserve account	38,888	30,957
Accounts receivable and prepayments	75,679	70,436
Outstanding premiums	24,054	19,530
Reinsurance assets	121,219	137,319
Inventories	2,681	3,097
Land development	-	84,937
Taxation recoverable	8,375	8,194
Post-employment benefits	33,940	29,040
	500,931	**640,069**

(a) Short term investments - Concentration:

	2021	2020
Deposits with licensed banks and financial Institutions	**17,246**	**99,583**

(b) Central Bank reserve account

The Financial Institutions Act 2008, requires that every financial institution hold and maintain an account with the Central Bank of Trinidad and Tobago to be called a reserve account which at present, is to be equivalent to 9% of the total liabilities to depositors. This account is non-interest bearing.

(c) Accounts receivable

	2021 $'000	2020 $'000
i) Balances outstanding		
Accrued investment income	33,316	28,953
Brokers and agents balances	12,943	10,666
Other receivables	55,713	57,211
	101,972	96,830
Less: Impairment provision	(26,293)	(26,394)
	75,679	**70,436**
ii) Impairment provision		
Balance brought forward	26,394	23,751
Provision for the year	(660)	2,351
Write offs for the year	559	292
	26,293	**26,394**
iii) Brokers and agents balances		
Aged analysis		
Up to 30 days	3,780	4,085
31 to 45 days	1,533	1,356
Over 45 days	7,630	5,225
	12,943	**10,666**

(d) Reinsurance assets

	2021	2020
i) Amounts due from reinsurers		
Other amounts	889	889
Long term insurance contracts	53,897	31,855
Reinsurers share of:		
Outstanding claims	37,505	60,944
Claims incurred but not reported	4,899	9,890
Unearned premiums	22,353	31,387
Unexpired risks	1,676	2,354
	120,330	136,430
Total	**121,219**	**137,319**
ii) Reconciliation		
Amounts due from reinsurers		
Balance brought forward	889	889
Recoverable for the year	14,844	29,935
Payments received during the yea	(14,844)	(29,935)
Other amounts	889	889
Balance brought forward	136,430	106,193
Increases/(decreases) in:		
Long term insurance contracts	22,042	8,103
Outstanding claims	(23,439)	15,467
Claims incurred but not reported	(4,991)	2,350
Unearned premiums	(9,034)	4,016
Unexpired risks	(678)	301
	120,330	136,430
Total	**121,219**	**137,319**

(e) Post-employment Benefits

The subsidiary, Development Finance Limited, contributes to a defined benefit pension plan (the Plan), which entitles a retired employee to receive an annual pension payment. The Plan is funded by the subsidiary and certain employees, the assets of the Plan being managed separately by the Trustee. The funding requirements are based on the pension fund's actuarial measurement performed by an independent qualified actuary.

4. Current Assets (continued)

(e) Post-employment Benefits (continued)

The Plan exposes the subsidiary to currency risk, interest rate risk and market risk and to actuarial risks such as longevity risk.

The subsidiary is not expected to contribute to the Plan in 2022.

	2021 $'000	2020 $'000
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of obligation	(28,992)	(29,830)
Fair value of plan assets	62,932	58,870
Asset in the Statement of Financial Position	33,940	29,040

i) Movement of amounts recognised in the Statement of Financial Position

	2021	2020
Asset recognised in the Statement of Financial Position January 1	29,040	28,400
Income recognised in profit or loss	778	720
Actuarial gains/(losses) recognised in other comprehensive income	4,122	(80)
Asset in the Statement of Financial Position	33,940	29,040

ii) Changes in the fair value of plan assets

	2021	2020
Opening fair value of plan assets	58,870	58,037
Expected return on plan assets	2,898	2,858
Benefits paid	(1,838)	(1,715)
Actuarial gains/(losses) on plan assets	3,002	(310)
Closing fair value of plan assets	62,932	58,870

iii) Changes in the present value of the obligation

	2021	2020
Opening present value of obligation	29,830	29,637
Current service cost	443	460
Interest cost	1,462	1,456
Benefits paid	(1,838)	(1,715)
Expenses	215	222
Actuarial gains arising from changes in assumptions (net)	(1,120)	(230)
Closing fair value of obligation	28,992	29,830

iv) The amounts recognised in the Statement of Income are as follows

	2021	2020
Current service cost	443	460
Interest cost	1,462	1,456
Expected return on plan assets	(2,898)	(2,858)
Expenses	215	222
Total included in employee benefits (Note 25)	(778)	(720)
Expected return on plan assets	2,898	2,858
Actuarial gains/(losses) on plan assets	3,002	(310)
Actual return on plan assets	5,900	2,548

v) Actuarial gains/(losses) recognised in Other Comprehensive Income

	2021	2020
Remeasurement (gains)/losses - Assets	(3,002)	(310)
Remeasurement (gains)/losses - Experience adjustments	513	230
Remeasurement (gains)/losses - Economic	(1,633)	-
	(4,122)	(80)

vi) The principal actuarial assumptions used were

	2021	2020
Discount rate	5.50%	5.00%
Future salary increases	5.50%	5.00%
Mortality:		
Pre-retirement	Nil	Nil
Post-retirement	GAM94	GAM94

vii) Asset Allocation

The major categories of the plan assets are:	2021	2020
Local equities	27%	28%
Government securities	18%	20%
Mutual Funds	2%	2%
Other	53%	50%
Total	100%	100%

The asset values as at December 31, 2021 were provided by the Plan's Investment Manager. Overseas equities have quoted prices in active markets. Local equities also have quoted prices but the market is relatively illiquid. The Investment Manager calculates the fair value of the Government bonds and corporate bonds by discounting expected future proceeds using a constructed yield curve.

THE MARITIME FINANCIAL GROUP
(Maritime Life (Caribbean) Limited and its subsidiaries)

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4. Current Assets (continued)

(e) Post-employment Benefits (continued)

vii) Asset Allocation (continued)

The Plan's assets are invested in accordance with a strategy agreed with the Plan's Trustees and Management Committee. This strategy is largely dictated by statutory constraints (at least 80% of the assets must be invested in Trinidad and Tobago and no more than 50% in equities) and the availability of suitable investments. There are no asset-liability matching strategies used by the Plan.

viii) Sensitivity of present value of defined benefit obligation:

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	1% Increase ($'000)	1% Decrease ($'000)
Discount Rate	(3,357)	4,172
Salary growth	655	(563)

The weighted average duration of the obligation is 14 years.

ix) Experience history

Amounts for the current period are as follows:

	2021 $'000	2020 $'000	2019 $'000	2018 $'000	2017 $'000
Defined benefit obligation	(28,992)	(29,830)	(29,637)	(29,442)	(29,116)
Plan assets	62,932	58,870	58,037	52,914	54,759
Surplus	33,940	29,040	28,400	23,472	25,643
Experience adjustments on plan liabilities (gains)/losses	513	(230)	(166)	14	(141)
Changes in financial assumptions	(1,633)	-	-	-	-
Net remeasurements on plan liabilities (gains)/losses	(1,120)	(230)	(166)	14	(141)
Experience adjustments on plan assets gains/(losses	3,002	(310)	4,279	(2,711)	(1,046)

5. Deferred Taxation

	2021 $'000	2020 $'000
Deferred tax assets	146	47
Deferred tax liabilities	(12,078)	(11,933)
Net deferred tax liabilities	(11,932)	(11,886)
Movements for the year		
Balance brought forward	(11,886)	(23,839)
Provision - current year	(46)	(577)
Provision - prior year	-	12,530
	(11,932)	(11,886)

6. Investment in Associates

Shares at cost	-	-

7. Financial Assets

Investment securities		
Fair value through profit or loss	202,780	162,042
Fair value through other comprehensive income	104,911	175,210
Amortised cost	2,312,122	1,772,772
	2,619,813	2,110,024
Loans		
Policy and automatic premium loans	72,192	72,507
Mortgages and other loans	516,170	496,929
	588,362	569,436
Total	3,208,175	2,679,460

(a) Fair values

i) By financial asset classification

Investment securities		
Fair value through profit or loss	202,780	162,042
Fair value through other comprehensive income	104,911	175,210
Amortised cost	2,392,689	1,859,357
	2,700,380	2,196,609
Loans	588,362	569,436
	3,288,742	2,766,045

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7. Financial Assets (continued)

(a) Fair values (continued)

	2021 $'000	2020 $'000
ii) By level of hierarchy		
Level 1	1,079,995	877,541
Level 2	1,771,682	1,452,830
Level 3	437,065	435,674
	3,288,742	2,766,045

(b) Investment securities - Concentration

	2021	2020
Government/government guaranteed bonds	1,567,578	1,197,927
State enterprises bonds	238,693	200,008
Financial institutions bonds	326,366	341,699
Other corporate bonds	227,329	210,582
	2,359,966	1,950,216
Quoted equities	259,746	159,707
Unquoted equities	101	101
	259,847	159,808
Total	2,619,813	2,110,024

(c) Investment securities - Amortised cost

	2021	2020
Amortised cost	2,320,516	1,780,358
Less: expected credit loss allowance	(8,394)	(7,586)
	2,312,122	1,772,772
Expected credit loss allowance:		
Balance brought forward	7,586	4,604
Remeasurement of expected credit losses	808	2,982
	8,394	7,586

(d) Investment securities pledged to secure borrowings

	2021	2020
Repurchase agreements	104,770	2,298
Other borrowings	164,703	19,088
	269,473	21,386

(e) Investment securities - Unquoted equities

	2021	2020
i) At cost	14,046	14,046
Less: impairment provision	13,945	13,945
	101	101
ii) Impairment provision		
Balance brought forward	13,945	13,950
Provision for the year	-	(5)
	13,945	13,945

(f) Policy and automatic premium loans

	2021	2020
Policy loans	39,136	36,754
Automatic premium loans	30,883	32,522
Accrued interest	2,173	3,231
	72,192	72,507

(g) Mortgages and other loans

	2021	2020
i) Mortgage loans	216,515	217,143
Loans to small and medium-sized enterprises	126,763	107,442
Other loans	177,714	178,728
	520,992	503,313
Less: expected credit loss allowance	(4,822)	(6,384)
	516,170	496,929
ii) Expected credit loss allowance		
Balance brought forward	6,384	6,669
Provision for the year	811	518
Write offs and adjustments	(2,373)	(803)
	4,822	6,384
iii) Concentration - sectoral analysis		
Consumer	187,200	181,417
Commercial and industrial	280,859	280,239
Tourism	48,111	35,273
	516,170	496,929
iv) Credit quality		
Individually impaired	711	-
Past due but not impaired	44,570	19,355
Neither past due nor impaired	470,889	477,574
	516,170	496,929

8. Investment Properties

	2021 $'000	2020 $'000
At beginning of the year	216,272	179,136
Additions	411	43,405
Transfer from land development	93,420	-
Transfer from property, plant and equipment	7,117	-
Disposals	(7,190)	(7,190)
Fair value gains	71,194	922
Foreign exchange gains	-	(1)
	381,224	216,272
(a) Rental income	5,429	4,761
(b) Direct operating expenses	2,908	2,131

9. Property, Plant and Equipment

December 31, 2021	Properties $'000	Furniture/ Equipment $'000	Motor Vehicles $'000	Equipment on Lease $'000	Total $'000
Cost/Valuation					
At beginning of year	194,662	110,100	13,006	15,669	333,437
Additions	-	4,089	560	950	5,599
Revaluation	9,200	-	-	-	9,200
Transfers to investment Properties	(7,500)	-	-	-	(7,500)
Disposals	-	(363)	-	(848)	(1,211)
	196,362	113,826	13,566	15,771	339,525
Accumulated depreciation					
At beginning of year	5,089	100,289	9,561	9,729	124,668
Charge for the year	2,486	3,817	1,409	790	8,502
Revaluation	(5,250)	-	-	-	(5,250)
Transfers to investment Properties	(383)	-	-	-	(383)
Disposals	-	(363)	-	(643)	(1,006)
	1,942	103,743	10,970	9,876	126,531
Net book Value At December 31, 2021	194,420	10,083	2,596	5,895	212,994

December 31, 2020	Properties $'000	Furniture/ Equipment $'000	Motor Vehicles $'000	Equipment on Lease $'000	Total $'000
Cost/Valuation					
At beginning of year	187,490	107,734	11,792	14,215	321,231
Additions	4,022	2,366	2,025	2,170	10,583
Revaluation	3,150	-	-	-	3,150
Disposals	-	-	(811)	(716)	(1,527)
	194,662	110,100	13,006	15,669	333,437
Accumulated depreciation					
At beginning of year	3,177	96,626	8,921	9,530	118,254
Charge for the year	2,576	3,663	1,451	715	8,405
Revaluation	(664)	-	-	-	(664)
Disposals	-	-	(811)	(516)	(1,327)
	5,089	100,289	9,561	9,729	124,668
Net book Value At December 31, 2020	189,573	9,811	3,445	5,940	208,769

	2021 $'000	2020 $'000
(a) Written down value of properties		
Written down value of the properties based on cost	96,313	98,967
(b) Revaluation surplus		
Balance brought forward	92,744	89,414
Revaluation surplus for the year	14,450	3,730
Transfer to retained earnings	(9,469)	(400)
	97,725	92,744

10. Current Liabilities

	2021 $'000	2020 $'000
Bank overdraft	14,740	20,129
Short term borrowings	99,235	15,744
Customers' deposits	508,791	418,993
Other funding instruments	42	42
Third party interests in mutual funds	569	483
Premium suspense	25,422	26,402
Accounts payable, accruals and other liabilities	87,715	74,026
Provision for employees benefits	7,564	7,456
Reinsurance liabilities	6,279	15,378
Taxation payable	3,051	786
	753,408	579,439

(a) Bank overdraft

The Group has two overdraft facilities:

i) TT$2.500 million (2020: $2.500 million) at Scotiabank Trinidad and Tobago Limited, which is unsecured and bears interest at 7.25% (2020: 9.50%) per annum.

ii) US$4 million (2020: US$4 million) at Republic Bank Limited, which is secured by a lien over credit balance on an account at Republic Bank Limited and bears interest at 4.75% (2020: 5.00%) per annum.

10. Current Liabilities (continued)

b) Short term borrowings

The short term borrowings comprises:

i) A portfolio margin account for $79.224 million (2020: $15.731 million), secured by assets held with an international Broker which bears interest at a variable rate based on a Reference benchmark rate determined by a combination of internationally reference rates, bank deposit rates and dynamic interbank rates determined from foreign exchange and money markets. There is no fixed principal repayment amount, and there is no specified maturity date.

ii) A secured revolving demand loan for $20 million (2020: $Nil), which bears interest at a variable rate based on the lender's prime lending rate less 250bps per annum, interest is payable monthly for the drawn portion. A standby fee is paid monthly for any unused portion and principal repayment is allowed at any time.

	2021 $'000	2020 $'000
(c) Short term borrowings, customers' deposits and other funding instruments - Concentration		
Corporate and commercial	105,299	107,438
Financial institutions	151,498	41,288
Personal	351,271	286,053
	608,068	434,779
(d) Other funding instruments		
Other funding instruments are secured by specific assets.		
(e) Reinsurance liabilities		
Balance brought forward	15,378	15,033
Reinsurance premiums for the year	98,648	105,116
Payments made during the year	(107,747)	(104,771)
Balance carried forward	6,279	15,378

11. Long Term Borrowings

	Interest Rate %	2021 $'000	2020 $'000
TT$ Floating rate bonds	6.00	70,000	70,000
TT$ Fixed rate bonds	3.25 - 4.25	63,300	-
US$ Floating rate bonds	2.25 - 3.30	49,224	27,589
Other US$ Loans	3.75	18,230	7,917
Repurchase Agreements	-	102,683	2,250
		303,437	107,756

(a) Movements for the year

	2021 $'000	2020 $'000
Balance brought forward	107,756	154,852
Loans received/(repayments) during the year (net)	195,681	(47,096)
Balance carried forward	303,437	107,756

(b) The Group's borrowings are mainly long term and are measured at amortised cost. Borrowings are covered by various forms of loan agreements. These include Trust Deeds related to bond issues on capital markets and finance contracts with international institutions. The Group has complied with all terms and conditions of all borrowings and all payments have been made as contracted. The finance contracts with international institutions include operational benchmarks related to the purposes of the loan based on projections and assumptions. Changes in market conditions and implementation issues beyond the control of the borrower may delay the achievement of such benchmarks and deadlines.

(c) TT$ Floating Rate Bonds

This represents a TTD debt issued in one tranche, interest is variable based on an average of commercial banks' prime lending rate with a maturity date in 2024 and is secured by a sinking fund managed by a Trustee.

(d) TT$ Fixed Rate Bonds

This represents a TTD debt issued in 4 tranches, interest rate is fixed with maturity dates in July 2028 to July 2032 and are secured by pledged assets.

(e) US$ Floating Rate Bonds

This represents a USD loan issued by a multi-lateral financial institution, interest is variable based on the lender's proprietary interest rate. Moratorium on principal payments ending September 2023, thereafter amortised principal repayments will be made. Maturity date is September 2033 and is secured by a specified portion of loans and advances made for specific purposes.

(f) Other US$ Loans

This loan is secured by Republic of Trinidad and Tobago government bonds with a face value of TT$21 million (2020: $21 million), and is repayable by forty-eight (2020: twenty-one) equal monthly blended payments of principal and interest.

(g) Repurchase agreements

The Repurchase agreements are secured by investment securities totalling $104.770 million (2020: $2.298 million) (Note 7(d)).

12. Insurance Contracts Liabilities

	2021 $'000	2020 $'000
With discretionary participation features	834,585	791,091
Without discretionary participation features	997,993	961,707
Provisions for outstanding claims	178,333	197,177
Provisions for claims incurred but not reported	23,919	28,979
Provisions for unearned premiums	68,764	77,029
Provisions for unexpired risks	5,157	5,777
	2,108,751	2,061,760
(a) Reconciliation of changes for the year		
Balance brought forward	2,061,760	1,974,126
Change in reserves	58,483	56,279
Change in policyholder dividends	82	95
Change in claims	4,526	1,023
Change in reinsurance assets	(16,100)	30,237
Balance carried forward	2,108,751	2,061,760
(b) Net insurance contracts liabilities		
Insurance contracts liabilities	2,108,751	2,061,760
Less: reinsurance assets (Note 4(d))	(120,330)	(136,430)
	1,988,421	1,925,330
Represents		
With discretionary participation features	834,585	791,091
Without discretionary participation features	944,096	929,852
Provisions for outstanding claims	140,828	136,233
Provisions for claims incurred but not reported	19,020	19,089
Provisions for unearned premiums	46,411	45,642
Provisions for unexpired risks	3,481	3,423
	1,988,421	1,925,330
(c) Concentration by lines of business		
Life assurance funds	620,035	568,934
Annuities	1,066,175	1,060,984
Deposit administration contracts	132,228	125,917
Policyholder dividends	5,976	5,894
Property	3,145	3,773
Motor	137,088	136,497
Liability	22,799	18,260
Marine	559	4,849
Pecuniary loss	416	222
Personal accident	-	-
	1,988,421	1,925,330
(d) Provision for outstanding claims		
Balance brought forward	197,177	180,391
Claims incurred for the year	157,504	156,095
Reinsurance assets	(23,439)	15,467
Payments made during the year	(152,909)	(154,776)
Balance carried forward	178,333	197,177
(e) Aged analysis of outstanding claims		
Short term insurance		
Up to 2017	46,675	65,041
2018	12,105	10,376
2019	13,297	12,603
2020	25,940	56,878
2021	21,575	-
	119,592	144,898
Long term insurance	58,741	52,279
	178,333	197,177

13. Stated Capital

Authorised
An unlimited number of ordinary shares of no par value.

Issued and fully paid
10,871,387 shares of no par value.

Share premium, which was included in Capital Reserve, was added to Stated Capital during the previous year.

14. Capital Reserve

Capital reserve comprises surpluses on revaluation of owner-occupied properties.

	2021 $'000	2020 $'000
Revaluation surpluses (Note 9(b))	97,725	92,744
Share premium	-	-
	97,725	92,744

15. Catastrophe Reserve

Section 44 of the Insurance Act 2018 require every insurer carrying on property insurance business to establish and maintain at all times in respect of catastrophe risks, a Catastrophe Reserve Fund, and at the end of each financial year, to make an appropriation from its retained earnings to the Catastrophe Reserve Fund in an amount not less than twenty per cent of its net written premium income in relation to its property insurance business for that year, until the Catastrophe Reserve Fund is equal to,

15. Catastrophe Reserve (continued)

or exceeds the net written premium income in relation to its property insurance business for that year.

Under Section 10D of the Corporation Taxes Act contributions to the catastrophe reserve fund up to a maximum of 20% of net premium income on property business is allowed as a deduction in computing chargeable income.

16. General Reserve

The general reserve represents appropriations of retained earnings for any possible unforeseen losses on financial assets for which alternative specific provision is not made.

17. Investment Revaluation Reserve

The investment revaluation reserve represents unrealised gains and losses arising from changes in fair value of financial assets at fair value through other comprehensive income.

18. Foreign Currency Translation Reserve

The foreign currency translation reserve represents gains and losses arising on the translation of non-monetary assets and liabilities of foreign operations.

19. Statutory Reserves

(a) The statutory surplus reserve which was required by Section 171 of the Insurance Act, 1980 was transferred to retained earnings.

(b) The Financial Institutions Act, 2008 requires every financial institution to transfer no less than 10% of its net profit after deduction of taxes to a reserve fund until the amount standing to the credit of the reserve fund is equal at least to its paid up capital.

20. Non-Controlling Interests

	2021 $'000	2020 $'000
Balance brought forward	121,809	116,926
Share of total comprehensive income	8,382	4,883
Dividends paid	(2,660)	-
	127,531	121,809
(a) Share of total comprehensive income		
Share of surplus after taxation	5,030	4,370
Share of other comprehensive income	3,352	513
	8,382	4,883
(b) Accumulated balances of material non-controlling interest		
Development Finance Limited – 50.25%	127,530	121,808
(c) Summarised financial information in respect of Development Finance Limited before intercompany eliminations is as follows:		
i) Statement of Financial Position		
Total assets	860,597	610,773
Total liabilities	612,378	373,901
	248,219	236,872
ii) Statement of Comprehensive Income		
Total income	38,302	34,708
Net surplus after taxation	10,010	8,697
Other comprehensive income	6,344	1,020
Total comprehensive income	16,354	9,717
iii) Statement of Cash Flows		
Cash flows from operating activities	61,508	40,907
Cash flows from investing activities	(216,575)	7,472
Cash flows from financing activities	161,517	(55,714)
Net increase in cash and cash equivalents	6,450	(7,335)

21. Investment Income

	2021 $'000	2020 $'000
Interest income	150,502	144,019
Dividends	6,289	4,986
Rental income from operating leases	9,700	8,380
Foreign exchange (losses)/gains	(182)	442
Realised gains	4,403	1,195
Unrealised gains	103,096	(13,583)
Expected credit losses	(577)	(3,015)
	273,231	142,424
(a) Interest income		
Cash and cash equivalents	382	719
Fair value through profit or loss	996	1,978
Fair value through other comprehensive income	5,223	4,896
Amortised cost	103,467	94,999
Loans	41,804	42,670
Other	(1,370)	(1,243)
	150,502	144,019

21. Investment Income (continued)

	2021 $'000	2020 $'000
(b) Gains/(losses)		
Fair value through profit or loss	25,779	(11,626)
Fair value through other comprehensive income	(193)	(1,391)
Amortised cost	553	(3,966)
Loans	(872)	227
Investment properties	80,996	3,475
Owner-occupied properties	-	84
Other	659	(2,206)
	106,922	(15,403)

22. Other Income

	2021 $'000	2020 $'000
Commissions	15,535	14,105
Revenue from sale of goods	44,388	46,238
Fee income	789	626
Miscellaneous income	4,168	4,533
	64,880	65,502

23. Policyholders' Benefits

	2021 $'000	2020 $'000
Claims and surrenders	196,763	194,077
Dividends to participating policyholders	405	368
Provision for future policy benefits	64,721	60,058
	261,889	254,503

24. Other Direct Costs

	2021 $'000	2020 $'000
Commissions/agents remuneration	57,741	47,368
Policy issue expenses	3,336	2,674
Depreciation on leased assets (net)	789	715
Cost of sales	35,315	36,956
Other costs	3,288	4,084
	100,469	91,797
Pension costs included in other direct costs	1,323	1,289

25. Expenses of Management

	2021 $'000	2020 $'000
Employee benefits	67,351	53,835
Depreciation (net)	7,713	7,312
Operating lease rentals	502	586
Other administrative expenses	91,511	73,405
	167,077	135,138
Pension costs included in employee benefits:		
Defined Contribution Plans	1,840	1,865
Defined Benefit Plan (Note 4(e)(i))	(778)	(720)
	1,062	1,145

26. Taxation

	2021 $'000	2020 $'000
(a) Tax charge for the year		
Current year	9,171	14,009
Prior year	(723)	(7,945)
Deferred taxation	46	(11,953)
	8,494	(5,889)
Insurance revenue statement	3,330	3,529
Shareholders	5,164	(9,418)
	8,494	(5,889)

(b) Reconciliation

Income taxes in the Statements of Income vary from amounts that would be computed by applying the statutory tax rates for the following reasons:

	2021 $'000	2020 $'000
Surplus before taxation	137,294	75,728
Tax at applicable statutory rates	38,738	19,814
Effect of different tax rates of life insurance companies	(333)	(353)
Items not subject to tax	(28,957)	(5,492)
Temporary differences	552	572
Tax losses	2,096	3,718
Other	(3,911)	(4,984)
	8,185	13,275
Prior year	(723)	(20,475)
Business Levy	44	315
Green Fund Levy	988	996
	8,494	(5,889)
(c) Tax losses		
Tax losses in subsidiaries available for set off against future chargeable profits of those companies.	32,085	25,266

27. Cash and Cash Equivalents

	2021 $'000	2020 $'000
Cash and bank balances	178,849	156,976
Short term investments	17,246	99,583
Bank overdraft	(14,740)	(20,129)
	181,355	236,430

28. Capital Commitments

	2021 $'000	2020 $'000
Mortgage and other loans	24,439	35,251

29. Operating Leases

	2021 $'000	2020 $'000
Future rental income due on non-cancellable operating leases		
Up to one year	8,803	8,452
Two to three years	15,209	13,690
	24,012	22,142

30. Assets Pledged – Statutory Deposit, Statutory Fund and Catastrophe Reserve Fund

The fair value of assets deposited with and/or pledged to the order of the Inspector of Financial Institutions under the provisions of the Insurance Act, 1980 as at December 31, 2020 amounted to $2,029.133 million.

Effective January 1, 2021 pursuant to the proclamation of the Insurance Act, 2018, local insurance companies, are no longer required to pledge assets to the order of the Central Bank of Trinidad and Tobago for the purposes of the statutory fund, the statutory deposit and the catastrophe reserve fund as previously required under the Insurance Act, 1980.

Section 83 of the Insurance Act 2018 require insurance companies to maintain adequate capital and to maintain and hold adequate assets to support its liabilities to its Trinidad and Tobago policyholders.

31. Related Party Transactions

Related party transactions are transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged.

Related parties include: persons, or a close member of that person's family, who has control, joint control, or significant influence over the Group, including members of the key management personnel; all subsidiaries (Note 38); all associates (Note 6) and joint venture partners; and the Group's post employment benefit plans for the employees of the Group.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and conditions at market rates.

Balances and transactions with related parties during the year were as follows:

	2021 $'000	2020 $'000
(a) Associates		
Investments in stated capital	-	-
Impairment loss	-	-
Share of loss for the year	-	-
Share of other comprehensive income	-	-
Gain on disposal	-	-
(b) Post employment benefit plans		
i) Defined contribution plan		
Deposit administration contract	97,486	93,733
Pension fund contributions	2,428	2,275
Purchase of annuities	4,837	1,801
ii) Defined benefit plan		
Post-employment benefit asset	33,940	29,040
Actuarial gain/(loss)	4,122	(80)
Income	778	720
(c) Key management personnel		
Loans - secured	10,074	8,882
Customer deposits	3,504	2,532
Interest income	576	412
Interest expense	90	64
(d) Key management compensation		
Short term benefits	13,991	11,226
Post employment benefits	233	220
Other long term benefits	-	-
Termination benefits	-	-
	14,224	11,446

32. Insurance Contracts – Assumptions, Changes in Assumptions and Sensitivity

(a) Long term insurance contracts

i) The actuarial liabilities for long term insurance contracts are determined in accordance with the provisions of the Insurance Act, 2018 and following generally accepted actuarial practice in the Republic of Trinidad and Tobago. These liabilities are determined using the PPM (Note 2 (p) (iii)) which incorporates best-estimate assumptions for mortality, morbidity, policy lapses, surrenders, future investment yields, policy dividends, expenses and margins for adverse deviation. These assumptions are reviewed annually and when necessary are updated to reflect actual experience and market conditions.

The most significant impact on the valuation of this liability results from a change in the assumption for future investment yields. Future investment yields may be sensitive to variations in reinvestment interest rates, which may affect the valuation of policy benefit liabilities.

Total net policy liabilities increased from $1,540 million to $1,640 million as a result of the following:

- The normal increase for in-force and new business was an increase of $69.274 million;
- The impact on liabilities from changes in methods and assumptions resulted in a net decrease in net actuarial liabilities of $17.929 million as follows:
  - Changes to mortality and morbidity assumptions resulted in a net decrease of $1.526 million
  - Adjustments to lapse assumptions resulted in a net increase of $11.403 million
  - Year end 2021 interest rates were updated based on 2021 yields on underlying investments. Scenario testing was carried out using a base and four additional interest rate scenarios. The valuation interest rates were chosen based on the scenario producing the highest net actuarial liabilities. This resulted in a net decrease of $34.664 million
  - Amounts are included in actuarial liabilities to provide for the costs of administering in-force policies, including the costs of premium collection, adjudication and processing of claims, periodic actuarial calculations, preparation and mailing of policy statements, and related indirect expenses and overhead. Policy maintenance expenses are derived from the Group's internal cost analyses, which are reviewed and updated annually and then projected into the future with an allowance for inflation. The impact on liabilities was a net decrease of $6.487 million; and
  - Model refinements, data correction, methodology and management action, and adjustments for reinsurance, lapses and mortality resulted in a net increase of $13.345 million.

ii) Sensitivity

The liability adequacy tests were performed using the PPM and current best estimate assumptions. The sensitivity of the liability adequacy test carried out was as follows:

Scenario	Change in Assumption	% Sensitivity of Liabilities to Changes in Assumptions
Increase in interest	+1%	-7.7%
Decrease in interest	-1%	+11.7%
Increase in mortality (life insurance) Decrease in mortality (annuities)	+10%	+1.5%
Decrease in mortality (life insurance) Increase in mortality (annuities)	-10%	-1.4%
Increase in lapses	+10%	0.0%
Decrease in lapses	-10%	+0.1%
Increase in expenses	+20%	+3.2%
Decrease in expenses	-20%	-3.1%
Increase in critical illness incidence	+10%	+1.4%
Decrease in critical illness incidence	-10%	-0.8%

(b) Short term insurance contracts

i) The most significant liability arising from short term insurance contracts is the provisions for outstanding claims. These provisions are determined using input from loss adjustors and past experience. To this is added provisions made for claims and claims expenses incurred but not reported until after the year-end date. These provisions cannot be determined with certainty because of the substantial delay between the occurrences, reporting and final settlement of the claims. They are reviewed and amended on an ongoing basis as new information becomes available, claims are settled and new claims reported.

Experience and industry information is used to assess the impact of external factors such as legislative changes, judicial decisions and technological changes. The claims reserves are sensitive to these assumptions.

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32. Insurance Contracts – Assumptions, Changes in Assumptions and Sensitivity (continued)

(b) Short term insurance contracts (continued)

ii) Claims development - short term insurance

Underwriting year	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	Total $'000
Estimate of cumulative claims						
At end of year	54,429	77,329	50,210	77,545	39,241	298,754
One year later	55,996	69,374	49,198	53,709		
Two years later	53,486	54,678	51,538			
Three years later	51,953	56,837				
Four years later	50,975					
Estimate of cumulative claims	**50,975**	**56,837**	**51,538**	**53,709**	**39,241**	**252,300**
Cumulative payments	(41,530)	(44,732)	(38,241)	(27,769)	(17,666)	(169,938)
Claims outstanding	**9,445**	**12,105**	**13,297**	**25,940**	**21,575**	**82,362**
Liability in respect of prior years						37,230
Total Liability						**119,592**

33. Insurance Risk

The Group is involved in underwriting, pricing, and accepting various kinds of risks in exchange for premiums. The insurance contract gives rise to the traditional insurance risk, which is the uncertainty that an insured event will occur resulting in financial consequences covered by the insurance contract, in addition to regulatory, legal, and pricing risk. Regulatory risk is associated with the potential of laws, directives and guidelines affecting the insurance industry to change and impact the insurance operations. Legal risk arises out of the costs associated with a possible dispute over policy terms and conditions, subrogation, and any other legal matter arising from the insurance contract. Pricing risk is the possibility that the premiums paid for the transfer of various risks are not sufficient.

The objective of risk management of insurance contracts is to properly identify, assess, control, evaluate and price all risks so as to increase stakeholder value.

As part of the Group's enterprise risk management strategy, risks are managed through the underwriting processes, claims management, reinsurance, diversification among various products, asset liability management, and actuarial consultation.

(a) Underwriting

The principal area of risk management begins in the underwriting process. Underwriting is the entire process that entails selecting policyholders by recognizing and evaluating hazards, establishing prices and determining policy terms and conditions. These processes are continually reviewed as it is at this stage that the Group determines if a risk will be accepted, rejected, or modified.

The Group has strict underwriting guidelines that have been developed with the assistance of actuarial support. These guidelines are reviewed and audited to ensure compliance.

(b) Long term insurance contracts

Policy benefits under long term insurance contracts become payable when an insurable event such as death or critical illness occurs, at a specified time such as at the retirement date specified by an annuity contract and on the exercise of policy options such as surrender or request for a policy loan by a policyowner.

i) Underwriting

Underwriting risk inherent in long term insurance contracts is the risk that the company's rates will prove inadequate because experience (mortality, morbidity, lapse, expense, average size cases etc,) worsens vis a vis pricing parameters.

ii) Longevity risk on annuity business

The Group is exposed to a risk exposure to improvement in mortality on its annuity business. This risk is managed by using a conservative mortality assumption in pricing including mortality improvement projections.

iii) Mortality and morbidity risk

Mortality and morbidity risks including critical illness incidence are managed through pricing and underwriting strategies and reinsurance arrangements. Mortality improvement continues to be experienced, however the Group is exposed to the risk of a sudden and severe spike in mortality rates due to either a global or region specific pandemic. These risks are mitigated through catastrophe reinsurance arrangements.

iv) Lapse risk

Lapse risk is managed through product design and conservation strategy

v) Experience studies

Experience studies are carried out on a regular basis to monitor experience vis a vis pricing assumptions and to determine experience assumptions for cash flow and profitability projections.

vi) Reinsurance

Reinsurance is used to reduce any single exposure of an insured. Limits and retentions are set according to the risk tolerance of stakeholders. The Group in certain cases also relies on the reinsurers' expertise in analyzing risks, product development and training.

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33. Insurance Risk (continued)

vii) Pricing risk

The Group's insurance contracts are subject to pricing risk, which includes risks associated with mortality, expenses, and investments. The Group manages its pricing risk through actuarial support in the review of existing products and new product development. The Appointed Actuary assists in managing the development and deployment of an appropriate and efficient product development process that is tailored to the organizational structure and available resources. The Appointed Actuary approves all product design and pricing and conducts experience studies on mortality and morbidity, lapses and expenses.

(c) Short term insurance contracts

Insurance risks are accepted from insureds in consideration for premiums calculated on the basis of the client, company and the industry experience with particular types of risks. The Group carries significant exposure on the various lines of business written, with the most significant being the motor and property lines. Material losses arise from low frequency, high severity events such as catastrophes, major fires and motor liability claims. The loss potential for these events is limited by ceding certain portions of these risks to reinsurers.

i) Underwriting

The Group has underwriting guidelines for various product lines that are followed by staff underwriters and agents that have been authorized to bind coverage. These guidelines are reviewed annually.

ii) Reinsurance

The Group relies on a significant amount of reinsurance. Reinsurance is used as a risk transfer mechanism, to smooth the Group's loss experience and to provide for large line capacity, catastrophe protection and underwriting guidance.

Because some risk exposures can be very large in nature, the Group utilizes reinsurance to accept the liability for loss exposures that the Group is unwilling or unable to retain. Reinsurance allows the Group to increase its market share while limiting the financial consequences of potential losses. Further, the Group insures various property and major exposures that are subject to earthquakes and windstorms. The Group purchases excess of loss insurance to mitigate the losses of these catastrophic events. The Group also utilizes the reinsurers for underwriting assistance, claims management and overall guidance.

Reinsurers are selected based on their track record and capability to meet their contractual obligations. In addition, the ratings assigned to reinsurers by the international rating agencies such as A.M. Best and Standard and Poors are used in determining whether or not reinsurers are acceptable. These ratings are monitored on an ongoing basis.

(d) Concentration of insurance risk

i) The Group is exposed to significant insurance risk on the various lines of business written.

ii) The total sums assured/insured analysed by major classes of business is as follows:

	2021 $'000	2020 $'000
Gross		
Long term insurance	11,691,858	11,041,848
Short term insurance	14,178,672	13,893,358
	25,870,530	**24,935,206**
Net		
Long term insurance	5,433,751	5,131,591
Short term insurance	4,246,104	4,801,266
	9,679,855	**9,932,857**

34. Financial Risk

(a) Enterprise risk management

The Group's overall strategy is to move away from traditional risk management to enterprise risk management (ERM), whereby each company within the Group assesses, controls, exploits, finances and monitors risks from all sources affecting it for the purpose of increasing stakeholder value, and also within the context of the Group as a whole. This holistic approach allows the Group to mitigate risk and create value. In essence, the Group can increase stakeholder value while maintaining an acceptable level of risk to stakeholders. As a part of the ERM strategy the Group identifies and evaluates all risks in the context of one another as opposed to distinct risks.

The Group is exposed to financial risk including credit risk, liquidity risk, currency risk, interest rate risk and price risk. In particular, the key financial risk is that proceeds from its financial and reinsurance assets are not sufficient to fund obligations arising from insurance contracts and financial liabilities.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Group is exposed to credit risk mainly on its short term investments, accounts receivable, reinsurance assets and investments in bonds, mortgages, loans to small and medium-sized enterprises and other loans.

i) Short term investments

The credit risk on short term investments is limited because the funds are invested in deposits with licensed banks and financial institutions, and in treasury bills.

34. Financial Risk (continued)

(b) Credit risk (continued)

ii) Accounts receivable

Accounts receivable are stated at amounts outstanding less impairment provision. Adequate provisions have been made for any uncollectible amounts.

iii) Reinsurance assets

The Group reduces its credit risk associated with reinsurance assets by entering into treaty agreements only with reinsurers who have acceptable credit ratings.

iv) Bonds

The Group invests in bonds issued only by governments, state enterprises, licensed financial institutions and corporations with acceptable credit ratings. The Group actively reviews all bond-issuing entities in which investments are being considered. The Group also limits the size of any given bond issue compared to size of its investment portfolio.

v) Mortgage loans

The value at risk associated with mortgage loans is not very significant as they are secured by property, which has experienced significant increases in value.

vi) Loans to small and medium-sized enterprises (SME)

The principal activity of the subsidiary, Development Finance Limited, is the granting of loans to SMEs in the Caribbean. These are vulnerable to interruptions in the supply chain due to transport facilities, weather, utilities, licensing regimes and natural disasters such as hurricanes and flooding as well as changes in customer preferences due to global influences and variable household incomes. Cash flow is often affected by the slow receipt of receivables from larger entities, including Governments.

This risk is highly correlated with "Country risk" in terms of governance, economic conditions and the operation of markets. The correlation between SME risk and Country risk arises from the inability of some Caribbean countries to increase competitiveness due to delays in improving infrastructure, in delivering appropriately trained entrants to the work force and in creating conditions that allow markets to function effectively. This reduces sustained access by SME to markets and operating finance.

The subsidiary manages "Country risk" using conventional country assessments to provide country ratings that are indexed to its assessment of its home country. This relative risk rating provides a loan pricing scale.

The Subsidiary's Board is responsible for managing credit risk along with the Chief Executive Officer who is responsible for implementing the credit and risk management policy approved by the Board which relies on oversight by the Board's Audit and Risk Committee. Specific management measures include:

- Ensuring that suitably qualified staff is adequately trained in various aspects of credit risk management and providing advice, guidance and specialist skills and training to business units to promote sound techniques and practices.
- Formulating credit policies covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.
- The authorisation structure for the approval of credit and related decisions.
- Limitation of credit concentrations, industry and country risk exposure and reviewing compliance of business units with agreed exposure limits and the credit quality of local portfolios and ensuring that appropriate corrective action is taken where required.
- Developing and maintaining the company's risk rating and pricing systems and its procedures for determining impairment loss.

Credit risk in the subsidiary refers mainly to "Business enterprise risk" which is the probability that an enterprise might fail and not be able to meet its obligations because of poor management or poor judgement or inadequate execution of plans. Management deals with that risk as follows:

- Management evaluates business proposals using a three-tiered approach that centres on the business enterprise, the environment in which it will operate and the likely effects of global factors related to the industry and to the enterprise as well as reassessment of Key Success Factors and credit criteria. The results of the evaluations and management's insights and judgements provide inputs for a risk rating model that takes Country Risk into account. The model centers on a normal risk threshold. There are two ratings above this level and two ratings below. The score explicitly takes into account likely loss given default based on exposure at default. Loan pricing is based on the risk level which is a composite rating of Enterprise, Industry and Country risk. Results based on scores that are higher than statistically derived normal ranges are subject to independent review.
- Management monitors "Business enterprise risk" by regularly reviewing the performance of companies in its portfolio.
- The subsidiary's credit risk is managed primarily at source by Management and reviewed by the Board and monitored through the Enterprise Risk Management framework managed by senior management.
- The subsidiary has its own internal self-assessment and risk management controls. Loan operations and loan management services are segregated from loan origination and enterprise appraisal responsibilities.

vii) Other loans

The Group relies heavily on a written Credit Advances Policy Manual, which sets out in detail the current policies governing the lending function and provides a comprehensive framework for prudent risk management of the credit function. Adherence to these guidelines is expected to communicate the Group's lending philosophy, provide policy guidelines to team members involved in lending, establish minimum standards for credit analysis, documentation, decision making and post-disbursement administration, as well as create the foundation for a sound credit portfolio.

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34. Financial Risk (continued)

(b) Credit risk (continued)

vii) Other loans (continued)

All team members involved with the lending activity are required to be familiar with the contents of the Credit Advances Policy Manual and are required to adhere to the policies therein; serious breaches results in disciplinary measures being taken. It is the responsibility of the General Manager to ensure that policies are adhered to.

The Group's loan portfolio is adequately secured by collateral and where necessary, provisions are made for estimated losses when, in the opinion of the directors, the related loans are impaired.

viii) Concentration

The Group has set an upper limit of total assets that can be invested with any one company or group of related companies so as to avoid any significant concentration of credit risk.

ix) Global economic developments and government policies

The Group actively monitors global economic developments and government policies that may affect the growth rate of the local economy.

x) Credit Risk Ratings and Probability of Default (PD) estimations

The Group uses internal credit risk ratings, which reflect its assessment of the individual counterparties risk profile. The Group has two internal rating models one tailored to companies and the other to individuals. Borrower and loan specific information collected at the time of the application (such as asset value, sales turnover, credit history, security structure, geographical location) is fed into the model. Each exposure is allocated a credit risk rating on initial recognition based on the information inputted into the model.

Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk-rating band. The monitoring typically involves use of the following data:

- Information obtained during periodic review of customer files – eg. audited financial statements, management accounts. Examples of areas of particular focus are; gross profit margin, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, key management changes, etc.;
- Actual and expected significant changes in the financial, economic, political, regulatory and technological environment of the borrower and/or in its business activities;
- Payment records inclusive of overdue status (where applicable); and
- Utilization of approved credit facilities.

The Group's credit risk ratings are the primary input into the determination of PDs for exposures. The Group looked at performance and number of defaults over a period of time analyzed by credit risk grading. Historical PDs were developed using statistical models, which analyzed the data collected, generating estimates of the Probability of Default of exposures.

For debt securities in our Investment portfolios, external credit rating agency credit grades are used. These published grades are continuously monitored and updated. The PD's associated with each grade are determined based on realized default over the prior 12 months as published by the rating agency.

xi) Significant increase in credit risk

In order to determine whether a financial asset or portfolio of financial assets are subject to 12 month ECL or lifetime ECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. Whether the risk of default on a financial instrument has increased significantly, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and credit assessment.

xii) Default and credit impaired assets

The Group considers a financial asset defaulted and therefore Stage 3 (credit-impaired) for ECL calculations when it meets one or more of the following criteria:

- The borrower is more than 180 days past due on its contractual obligations;
- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as collateral realization;
- It is probable that there would be a modification to the original agreement due to the borrower's inability to pay its credit obligations; and
- The exposure has been classified as Accounts in Liquidation as per the Group's classification process.

xiii) The Calculation of ECL

The group calculates ECLs as the discounted product of the Probability of Default (PD) and the Loss Given Default (LGD). These are defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months or the remaining lifetime of the obligation; and
- The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is the difference between the contractual cash flows that are due to the Group and the present value of any collateral held adjusted for realization expenses.

The discount rate used in the ECL calculation is the original effective interest rate.

For financial assets classified in Stage 1, the 12 month ECL allowance is calculated based on the expectation of default occurring in the 12 months following the reporting date. These expected 12-month PDs are multiplied by the expected LGDs as defined above to derive a 12-month allowance.

For financial assets in Stage 2, having shown a significant increase in credit risk, the Group records an allowance for the lifetime ECLs. The calculations are similar to those explained above.

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34. Financial Risk (continued)

(b) Credit risk (continued)

xiii) The Calculation of ECL (continued)

For financial assets considered credit impaired, the Group recognizes the lifetime ECLs, similar to that for those in Stage 2, with the PD set at 100%.

The following table sets out our ECL calculation of loans and advances at amortized cost, displayed by Stages.

	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
December 31, 2021				
Mortgage and other loans				
Gross Loans	419,781	60,580	40,631	520,992
Expected credit loss allowance	(2,267)	(345)	(2,210)	(4,822)
Carrying amount	417,514	60,235	38,421	516,170
December 31, 2020				
Mortgage and other loans				
Gross Loans	423,306	58,031	21,976	503,313
Expected credit loss allowance	(2,105)	(393)	(3,886)	(6,384)
Carrying amount	421,201	57,638	18,090	496,929

xiv) Maximum exposure to credit risk

The Group's maximum exposure to credit risk without taking account of any collateral held or other credit enhancements is as follows:

	2021 $'000	2020 $'000
Maximum exposure to credit risk	3,330,823	2,953,642

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group is exposed to daily calls on its available cash resources to settle trade, financial and insurance liabilities.

i) Risk environment

The Group operates in an environment in which most investments are subject to liquidity risk. There is no active bond market and the Trinidad and Tobago Stock Exchange lists less than forty public companies. There are also only a few local licensed banking and financial institutions to deposit funds. Liquidity risk is also increased because of restrictions imposed by the provisions of the Insurance Act, 1980 that govern the investments of statutory deposits and statutory funds.

ii) Risk management

The Group operates a central treasury function. To manage and reduce liquidity risk the Group's Asset Liability Committee actively meets to match cash inflows with liability requirements. The Group maintains a minimum percentage of its assets in short term investments and has un-drawn credit lines available to meet its short term obligations as they fall due. In addition, the Group's investments in marketable bonds and equities can be used for liquidity support if the need arises.

iii) Liquidity gap

The Group's exposure to liquidity risk is summarised in the table below which analyses assets and liabilities by relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date, except for insurance contracts liabilities which are analysed by estimated timings:

2021	Up to one year $'000	Two to five years $'000	Over five years $'000	Undated $'000	Total $'000
Assets					
Liquid assets	196,095	-	-	-	196,095
Financial assets	314,536	955,504	1,606,096	332,039	3,208,175
Other assets	270,896	-	-	628,304	899,200
	781,527	**955,504**	**1,606,096**	**960,343**	**4,303,470**
Liabilities					
Borrowings	491,388	322,333	112,524	-	926,245
Insurance contracts	260,226	89,348	1,712,930	46,247	2,108,751
Other liabilities	129,505	1,095	-	12,078	142,678
	881,119	**412,776**	**1,825,454**	**58,325**	**3,177,674**
Liquidity Gap	**(99,592)**	**542,728**	**(219,358)**	**902,018**	**1,125,796**
Cumulative Gap	**(99,592)**	**443,136**	**223,778**	**1,125,796**	**-**

34. **Financial Risk (continued)**

(c) **Liquidity risk (continued)**

iii) **Liquidity gap (continued)**

2020

	Up to one year $'000	Two to five years $'000	Over five years $'000	Undated $'000	Total $'000
Assets					
Liquid assets	256,559	-	-	-	256,559
Financial assets	236,652	891,542	1,318,951	232,315	2,679,460
Other assets	269,533	-	-	539,065	808,598
	762,744	891,542	1,318,951	771,380	3,744,617
Liabilities					
Borrowings	290,400	272,264	-	-	562,664
Insurance contracts	300,317	81,775	1,635,794	43,874	2,061,760
Other liabilities	123,697	834	-	11,933	136,464
	714,414	354,873	1,635,794	55,807	2,760,888
Liquidity Gap	48,330	536,669	(316,843)	715,573	983,729
Cumulative Gap	48,330	584,999	268,156	983,729	-

(d) **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk.

(e) **Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates primarily in the Republic of Trinidad and Tobago. Most of the Group's liabilities are denominated in local currency and are matched with local assets. The strategy for dealing with foreign exchange risk is to, as far as possible, offset foreign currency liabilities with assets denominated in the same currency.

Due to the unavailability of foreign exchange from the local banking system, the Group holds foreign currency assets for investment purposes and to settle obligations in foreign currencies.

The Group's net exposure to currency risk is as follows:

	2021 $'000	2020 $'000
Net Foreign Currency Assets		
United States Dollars	764,916	680,922
Other Currencies	37,330	17,433
	802,246	698,355

(f) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities, including short term investments, investments in bonds, mortgage loans, other loans, bank overdraft, customer deposits and other funding instruments.

i) **Risk management**

Exposure is managed using interest rate sensitivity management.

In the Republic of Trinidad and Tobago, the availability of creative hedging strategies is very limited. Therefore, the Group attempts to maintain a well-balanced portfolio by matching interest sensitive assets with interest sensitive liabilities.

ii) **Short term investments**

The short maturities of these investments allow the Group to take advantage of rising interest rates. However, the Group is exposed to falling interest rates. As part of a well-balanced portfolio, if interest rates decrease, the increase in value of the bond portfolio will reduce the negative effect of the reduction in interest rate.

iii) **Bonds**

The Group invests mainly in medium to long term bonds consisting of both floating rate and fixed rate instruments.

Financial assets classified as at fair value through profit or loss comprise mainly floating rate securities. The market values of these bonds are not very sensitive to changes in interest rates.

Financial assets classified as held to maturity comprise mainly fixed rate bonds. The market values of these bonds are sensitive to changes in interest rates. The longer the maturity of the bonds, the greater is the sensitivity to changes in interest rates. Because these assets are being held to maturity and are not traded, any changes in market value will not impact profit or loss.

The Group actively monitors bonds with maturities greater than ten years, as well as the interest rate policies of the Central Bank of Trinidad and Tobago.

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(Maritime Life (Caribbean) Limited and its subsidiaries)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

34. **Financial Risk (continued)**

(f) **Interest rate risk (continued)**

iv) **Mortgage loans**

Mortgage loans are for terms of up to thirty years. The interest rates on mortgage loans are generally fixed for the first three years and adjustable thereafter.

v) **SME loans**

Most of the loans to small and medium-sized enterprises earn fixed interest rates. These loans are funded by long term borrowings in the form of bond issues on the capital market and finance contracts with international institutions.

vi) **Other loans**

The Group generally invests in fixed rate loans for terms not exceeding five years. These are funded mainly by borrowings in the form of customer deposits and other funding instruments.

vii) **Interest rate sensitivity gap**

The Group's exposure to interest rate risk is summarised in the table below which analyses assets and liabilities at their carrying amounts categorised by the earlier of contractual re-pricing or maturity dates except for insurance contracts liabilities which are analysed by estimated timings.

2021

	Up to one year $'000	Two to five years $'000	Over five years $'000	Non-interest bearing $'000	Total $'000
Assets					
Liquid assets	196,095	-	-	-	196,095
Financial assets	536,443	870,815	1,541,070	259,847	3,208,175
Other assets	-	-	-	899,200	899,200
	732,538	870,815	1,541,070	1,159,047	4,303,470
Liabilities					
Borrowings	626,313	236,632	63,300	-	926,245
Insurance contracts	893,326	297,724	618,936	298,765	2,108,751
Other liabilities	-	-	-	142,678	142,678
	1,519,639	534,356	682,236	441,443	3,177,674
Interest Rate Gap	(787,101)	336,459	858,834	717,604	1,125,796
Cumulative Gap	(787,101)	(450,642)	408,192	1,125,796	-

2020

	Up to one year $'000	Two to five years $'000	Over five years $'000	Non-interest bearing $'000	Total $'000
Assets					
Liquid assets	256,559	-	-	-	256,559
Financial assets	523,714	874,697	1,121,241	159,808	2,679,460
Other assets	-	-	-	808,598	808,598
	780,273	874,697	1,121,241	968,406	3,744,617
Liabilities					
Borrowings	386,180	176,484	-	-	562,664
Insurance contracts	843,370	286,007	617,574	314,809	2,061,760
Other liabilities	-	-	-	136,464	136,464
	1,229,550	462,491	617,574	451,273	2,760,888
Interest Rate Gap	(449,277)	412,206	503,667	517,133	983,729
Cumulative Gap	(449,277)	(37,071)	466,596	983,729	-

(g) **Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (equity and commodity prices) whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market.

i) **Equity price risk**

The Group is exposed to equity price risk on its investments in equity instruments classified as investments in associates, available for sale financial assets and financial assets at fair value through profit or loss.

Most of these investments are listed on the Trinidad and Tobago Stock Exchange. The Group actively reviews the financial performance, future growth potential and economic environment before investing in any equities.

The Group manages its exposure to price risk by trading these investments to reduce the impact of any adverse price movements.

The Group has very limited investments in unquoted equity instruments. These investments are stated at cost less provision for impairment losses.

The Group's total exposure to investments in equity instruments is as follows:

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

34. **Financial Risk (continued)**

(g) **Price risk (continued)**

	2021 $'000	2020 $'000
Investments in Equity Instruments		
Fair value through profit or loss	193,367	141,533
Fair value through other comprehensive income	66,480	18,275
	259,847	159,808

ii) **Commodity price risk**

The Group is not exposed to commodity price risk.

35. **Fair Value Measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The existence of published price quotation in an active market is the best evidence of fair value. Where market prices are not available, fair values are estimated using various valuation techniques, including using recent arm's length market transactions between knowledgeable, willing parties, if available, current fair value of another financial instrument that is substantially the same and discounted cash flow analysis.

The Group measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Valuation techniques using significant unobservable inputs.

The following methods have been used to estimate the fair values of various classes of financial instruments:

i) **Current assets and current liabilities**

The carrying amounts of current assets and current liabilities are a reasonable approximation of the fair values because of their short-term nature.

ii) **Quoted securities**

The fair values of quoted securities are determined on the basis of quoted market prices available at December 31, 2021.

iii) **Unquoted securities**

The fair values of unquoted securities are determined using various valuation techniques. Unquoted securities are stated at cost less accumulated impairment provisions.

iv) **Loans**

Loans are stated net of specific provisions for impairment losses. These assets result from transactions under typical market conditions and their values are not adversely affected by unusual terms. The inherent rates of interest in the portfolio approximate market conditions and yield discounted cash flow values, which are substantially in accordance with financial statement amounts.

36. **Capital Risk Management**

The Group manages its capital to ensure that it:

- Complies with the regulatory capital requirements as required by the Insurance Act 2018, Capital Adequacy Regulations, and the Securities Industry Act 2012
- Continues as a going concern
- Maintains a strong capital base to support the development of its business
- Maximizes the return to shareholders relative to the considerations above.

The Group's overall strategy remains unchanged from 2020.

The capital structure of the Group consists of equity attributable to shareholders, comprising issued capital, reserves and retained earnings.

Capital adequacy is managed at the operating company level with regular reporting to the Regulators, Executive Management and the Board of Directors.

The minimum required regulatory capital adequacy ratio for insurance companies registered under the Insurance Act 2018 is 150% based on the Insurance Act 2018 and Capital Adequacy Regulations, and 15% for the non-bank financial institutions licensed under the Financials Institutions Act 2008, based on the Basel Committee on Banking Supervision Guidelines. In addition, the Group seeks to maintain capital adequacy at levels higher than the minimum regulatory requirements.

For the years ended December 31, 2021 and 2020, the Group has complied with all the regulatory requirements to which it is subject to.

37. **Contingent Liabilities**

i) During the period March to June 2002 a number of charges were preferred against two of the Company's subsidiaries, Maritime General Insurance Company Limited ("Maritime General") and Fidelity Finance and Leasing Company Limited ("Fidelity"), and others. These charges refer to offences which are alleged to have taken place between 1st July 1996 and 21st December 2000. The defendants in this matter are presently appealing a decision of the presiding Magistrate to commit them for trial after discharging them. This appeal was heard by the Judicial Committee of the Privy Council on

37. Contingent Liabilities (continued)

16th March 2022. The attorneys acting on behalf of defendants remain positive for a successful outcome in this matter.

ii) On 20th May 2004 the Company along with others, including its two subsidiaries Maritime General and Fidelity were charged with the offence of conspiring with other persons to obtain contracts and payments contrary to section 34 of the Larceny Act, Chapter 11:12. The Company's attorneys have always advised that this is not an offence known in law. On 23rd February 2005, four additional charges were preferred against the Company, its two subsidiaries and others. Those charges each alleged a conspiracy to defraud contrary to common law. In April 2011, approximately seven years after the initial charge was preferred against the Company, the Prosecution informed the Court that they would not be proceeding with this and other charges. On 14th July 2017, after hearing all of the Prosecution's evidence, the Magistrate discharged Maritime Life and Fidelity in respect of all the remaining charges on the basis that there was no evidence to disclose a prima facie case against them. It is important to emphasize that the Prosecution did not seek to challenge the Magistrate's decision to discharge them. On 29th January 2021, the Company initiated proceedings against the Attorney General on the basis that it had been maliciously prosecuted. These proceedings are at a preliminary stage. No directions have yet been given by the Court as to when the matter will be heard. In relation to Maritime General the preliminary inquiry is ongoing. It is the unanimous view of all the attorneys in the matter that the Prosecution have not made out, and cannot make the crucial elements of the offences charged, and further that the proceedings are baseless and should be dismissed.

iii) Regardless of the outcome of all of these proceedings, the interests of policyholders are adequately protected under the Insurance Act, 2018. For the avoidance of doubt, there are no pending criminal charges or allegations against Maritime Life.

iv) No provision has been made in these financial statements in respect to any of the alleged charges. Legal fees in connection with these matters are expensed as incurred.

38. Subsidiaries

	Place of Incorporation	2021 % Shareholding	2020 % Shareholding
Balandra By The Bay 1 Limited Land development	Republic of Trinidad and Tobago	100.00	100.00
Development Finance Limited Term lenders and equity investors in small and medium sized private industrial and commercial enterprises in the Caribbean	Republic of Trinidad and Tobago	49.75	49.75
Fidelity Finance and Leasing Company Limited Acceptance of deposits and carrying on the business of a finance house or finance company, trust company and leasing corporation	Republic of Trinidad and Tobago	100.00	100.00
Inter-Island Mortgage Finance Limited Granting of mortgage loans	Republic of Trinidad and Tobago	100.00	100.00
Keystone Property Developers Limited Building contractors and real estate developers	Republic of Trinidad and Tobago	100.00	100.00
Las Cuevas South West Limited Land development	Republic of Trinidad and Tobago	100.00	100.00
Maritime Capital Limited Registered under the provisions of the Securities Act, 2012 as a Broker-Dealer to conduct the activities of Broker-Dealer as agent and Broker-Dealer as Principal	Republic of Trinidad and Tobago	100.00	100.00
Maritime Capital Limited Income and Growth Fund	Republic of Trinidad and Tobago	91.70	92.74
Maritime Capital Limited Global Equity Fund	Republic of Trinidad	90.00	89.84
Maritime General Insurance Company Limited Underwriting all classes of general insurance business in Trinidad and Tobago	Republic of Trinidad and Tobago	100.00	100.00
Maritime Leasing Company Limited Leasing of equipment and commercial properties	Republic of Trinidad and Tobago	100.00	100.00
Maritime Residences Limited Development, trade and rental of newly constructed dwelling houses	Republic of Trinidad and Tobago	100.00	100.00
Nettletons Limited Retail operations	Republic of Trinidad and Tobago	100.00	100.00

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FOR THE YEAR ENDED DECEMBER 31, 2021

38. Subsidiaries (continued)

	Place of Incorporation	2021 % Shareholding	2020 % Shareholding
Comteq Technological Services Company Limited On-line sales	Republic of Trinidad and Tobago	100.00	100.00
Marnett Security Company Limited Provision of security services	Republic of Trinidad and Tobago	100.00	100.00
Caribbean Microfinance Trinidad and Tobago Ltd Microfinance/investment administration services	Republic of Trinidad and Tobago	100.00	100.00
South Coast One Limited Leasing of properties	Republic of Trinidad and Tobago	100.00	100.00
South Coast Two Limited Leasing of properties	Republic of Trinidad and Tobago	100.00	100.00
Belle Vue Bay Limited Property holdings	Republic of Trinidad and Tobago	100.00	100.00
Maritime Residences 167 Limited Property holdings	Republic of Trinidad and Tobago	100.00	100.00

39. Dividends

(a) Dividends Paid

	2021 $'000	2020 $'000
Year ended December 31, 2019 (Final - 40¢)	-	4,348
Year ended December 31, 2020 (Final - 40¢)	4,348	-
	4,348	**4,348**

(b) The Board of Directors proposed a final dividend of 40¢ per share for the year ended December 31, 2021 (2020: 40¢ per share). This dividend, amounting to $4,348,555 (2020: $4,348,555) is not recorded as a liability in the Statement of Financial Position in accordance with IAS 10.

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UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

ACTUARIAL CERTIFICATE

Maritime Life (Caribbean) Limited

In accordance with section 158 (1) (a) of the Insurance Act 2018, I have made a valuation of the actuarial liabilities of Maritime Life (Caribbean) Limited for its statement of financial position as at December 31, 2021. In my opinion, the aggregate amount of the liabilities of the Company in relation to its long term insurance business as at December 31, 2021 did not exceed the aggregate amount of those liabilities shown in the unconsolidated statement of financial position of the Company.

Nazir Valani

Nazir Valani, FSA, FCIA, MAAA
Appointed Actuary - Maritime Life (Caribbean) Limited
March 17, 2022

STATEMENT OF MANAGEMENT RESPONSIBILITIES

Management is responsible for the following:

- Preparing and fairly presenting the accompanying unconsolidated financial statements of Maritime Life (Caribbean) Limited, which comprise the unconsolidated statement of financial position as at December 31, 2021, the unconsolidated statements of comprehensive income, unconsolidated statement of changes in equity and unconsolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the company's assets, detection/prevention of fraud, and the achievement of the company's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilized the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the company will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorized for issue, if later.

Management affirms that it has carried out it's responsibilities as outlined above.

Andrew Ferguson, BSc, CPCU, ARe, FLMI, AFSB
Chief Executive Officer, Chairman
March 29, 2022

Salahudeen Ali, FCCA, CA, CPA, CGA
Chief Financial Officer
March 29, 2022

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Maritime Life (Caribbean) Limited

Opinion
We have audited the unconsolidated financial statements of Maritime Life (Caribbean) Limited, which comprise the unconsolidated statement of financial position as at December 31, 2021, and the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Unconsolidated financial statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter
Without qualifying our opinion we draw attention to Note 30 to the unconsolidated financial statements. The State laid several charges against the Company and two of its subsidiaries, together with other companies and individuals. In April 2011, the Prosecution informed the Court that they would not be proceeding with the initial charge against the Company in addition to some of the other charges. On 14 July 2017, the Company was discharged in respect of the remaining charges.

Responsibilities of Management and the Board of Directors for the Unconsolidated Financial Statements
Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with IFRSs, 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.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

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

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

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

PKF

PKF Chartered Accountants and Business Advisors
Barataria,
TRINIDAD
March 29, 2022

MARITIME LIFE (CARIBBEAN) LIMITED

STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2021

	Notes	2021 $'000	2020 $'000
Assets			
Current assets	4	261,577	282,534
Investments in associates	5	-	-
Investments in subsidiaries	6	241,572	234,614
Financial assets	7	1,757,596	1,629,967
Investment properties	8	172,116	162,405
Property, plant and equipment	9	173,398	160,629
Total Assets		**2,606,259**	**2,470,149**
Financed by:			
Liabilities			
Current liabilities	10	82,839	88,424
Deferred tax liabilities	11	11,577	11,547
Insurance contracts liabilities	12	1,891,319	1,805,077
Total Liabilities		1,985,735	1,905,048
Equity			
Stated capital	13	16,584	16,584
Capital reserve	14	90,570	76,729
General reserve	15	15,500	15,500
Investment revaluation reserve	16	383	381
Retained earnings		497,487	455,907
Total Equity		620,524	565,101
Total Liabilities and Equity		**2,606,259**	**2,470,149**

These financial statements were approved by the Board of Directors and authorised for issue on March 29, 2022 and signed on their behalf by

Director **Director**

The accompanying notes form part of these financial statements

MARITIME LIFE (CARIBBEAN) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2021

	Notes	2021 $'000	2020 $'000
Revenue			
Premiums		277,096	276,068
Recoveries from reinsurers		12,311	16,889
Investment income	17	140,342	97,439
Other income	18	8,044	7,716
		437,793	398,112
Expenses			
Claims incurred		125,072	117,430
Surrenders and expiries		39,259	37,982
Dividends to participating policyholders		405	368
Provision for future policy benefits		63,894	61,102
Reinsurance premiums		23,266	20,689
Commissions/agents remuneration		36,398	26,836
Policy issue expenses		3,336	2,674
Expenses of management	19	97,114	72,963
		388,744	340,044
Surplus before taxation		49,049	58,068
Taxation	20	(3,330)	16,946
Surplus after taxation		**45,719**	**75,014**
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Unrealised (losses) on revaluation of debt investments at fair value through other comprehensive income		(77)	(1,393)
Items not to be reclassified to profit or loss in subsequent periods:			
Unrealised gains on revaluation of equity investments at fair value through other comprehensive income		79	-
Surplus on revaluation of owner-occupied properties		14,050	-
Total comprehensive income, net of tax		**59,771**	**73,621**

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021

	Stated Capital $'000	Capital Reserve $'000	General Reserve $'000	Investment Revaluation Reserve $'000	Retained Earnings $'000	Total Equity $'000
Balance as at December 31, 2019	**10,871**	**82,651**	**15,500**	**1,774**	**385,032**	**495,828**
Total comprehensive income	-	-	-	(1,393)	75,014	73,621
Dividends paid 2019 (40¢)	-	-	-	-	(4,348)	(4,348)
Transfer share premium to stated capital	5,713	(5,713)	-	-	-	-
Transfer to retained earnings	-	(209)	-	-	209	-
	5,713	(5,922)	-	(1,393)	70,875	69,273
Balance as at December 31, 2020	**16,584**	**76,729**	**15,500**	**381**	**455,907**	**565,101**
Balance as at December 31, 2020	**16,584**	**76,729**	**15,500**	**381**	**455,907**	**565,101**
Total comprehensive income	-	14,050	-	2	45,719	59,771
Dividends paid 2020 (40¢)	-	-	-	-	(4,348)	(4,348)
Transfer to retained earnings	-	(209)	-	-	209	-
	-	13,841	-	2	41,580	55,423
Balance as at December 31, 2021	**16,584**	**90,570**	**15,500**	**383**	**497,487**	**620,524**

The accompanying notes form part of these financial statements

MARITIME LIFE (CARIBBEAN) LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021 $'000	2020 $'000
Cash Flows from Operating Activities		
Surplus before taxation	49,049	58,068
Adjustments for:		
Depreciation (net)	4,513	4,159
Gains and losses (net)	(29,877)	11,712
Increase in insurance contracts liabilities	63,008	60,489
Operating surplus before working capital changes	86,693	134,428
Change in current receivables	(9,520)	(2,487)
Change in current payables	(196)	(6,289)
Cash generated from operations	76,977	125,652
Dividends paid to policyholders	(323)	(273)
Corporation taxes paid (net)	(3,433)	(3,137)
Net cash generated from operating activities	73,221	122,242
Cash Flows from Investing Activities		
Sale/redemption of financial assets	275,789	223,111
Sale of property, plant and equipment	-	227
Change in loans and receivables	(11,667)	(43,227)
Purchase of other financial assets	(370,779)	(220,004)
Investment in subsidiaries	(6,949)	(23,575)
Purchase of property, plant and equipment	(3,232)	(7,474)
Purchase of investment property	(411)	(21,595)
Net cash used in investing activities	(117,249)	(92,537)
Cash Flows from Financing Activities		
Dividends paid to shareholders	(4,348)	(4,348)
Net cash used in financing activities	(4,348)	(4,348)
Net change in cash and cash equivalents	(48,376)	25,357
Cash and cash equivalents at the beginning of the year	126,373	101,016
Cash and cash equivalents at end of year	**77,997**	**126,373**
Represented by		
Cash and bank balances	64,047	41,930
Short term investments	28,690	104,572
Bank overdraft	(14,740)	(20,129)
	77,997	**126,373**

The accompanying notes form part of these financial statements

1. Incorporation and Principal Activity

Maritime Life (Caribbean) Limited is incorporated in the Republic of Trinidad and Tobago and was continued under the provisions of the Companies Act, 1995 on March 23, 1999. Its principal activity is carrying on of all classes of long-term insurance business in Trinidad and Tobago. The Company's registered office and principal place of business are located at 29 Tenth Avenue, Barataria.

2. Summary of Significant Accounting Policies

(a) Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and are stated in thousands of Trinidad and Tobago dollars. They have been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties and owner-occupied properties.

The accounting policies used are consistent with those of previous years except for the adoption of new standards and interpretations noted below.

(b) New Accounting Standards and Interpretations

i) New standards and amendments/revisions to published standards and interpretations effective in 2021 but not applicable to the Company

The Company has not applied the amendments to the following standards which became effective during the current financial year as either they do not apply to the activities of the Company or have no material impact on the financial statements.

Effective for annual periods beginning on or after 1 January 2021

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. With publication of the phase two amendments, the IASB has completed its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

Effective for annual periods beginning on or after 1 April 2021

Amendment to IFRS 16 - Covid-19-Related Rent Concessions beyond 30 June 2021.

Effective for annual periods beginning on or after 1 April 2021. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic.

ii) New interpretations and amended/revised standards that are not yet in effect and have not been early adopted by the Company

The following is a list of new IFRS standards and amendments issued that are not yet in effect as at December 31, 2021. The Company is currently assessing the impact of adopting these standards and interpretations.

Effective for annual periods beginning on or after 1 January 2022

Amendments to IFRS 3 - Reference to the Conceptual Framework

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

Amendments to IAS 37 - Onerous Contracts - Costs of fulfilling a Contract

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter.

The amendment permits a subsidiary that elects to apply paragraph D16 (a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16 (a) of IFRS 1.

IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities.

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including

2. Summary of Significant Accounting Policies (continued)

(b) New Accounting Standards and Interpretations (continued)

ii) New interpretations and amended/revised standards that are not yet in effect and have not been early adopted by the Company (continued)

fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

IAS 41 Agriculture - Taxation in fair value measurements.

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted.

IFRS 17 - Insurance Contracts

In December 2021, the IASB amended IFRS 17 to add a transition option for a "classification overlay" to address possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of IFRS 17. If an entity elects to apply the classification overlay, it can only do so for comparative periods to which it applies IFRS 17 (i.e., from transition date to the date of initial application of IFRS 17).

Amendments to IAS 8 - Definition of Accounting Estimates

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

Amendments to IAS 1 - Classification of Liabilities as Current or Non-current.

Amendments to IAS 1 and IFRS - Practice Statement 2 - Disclosure of Accounting Policies.

Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

(c) Comparative figures

Certain comparative figures were restated to facilitate changes in presentation. These changes had no effect on the previously reported surplus.

(d) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost.

Subsidiaries are all entities over which the Company has control. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has power over the investee (i.e. existing right that give it the current ability to direct the relevant activities of the investee), exposure or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The Company considers all relevant facts and circumstances in assessing whether it has power over an investee; including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements, and the Company's voting rights and potential voting rights. The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

A listing of the subsidiaries, their principal activities and place of incorporation is given in Note 32.

(e) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash and bank balances, bank overdrafts and short term investments.

Short term investments are highly liquid investments and comprise deposits placed with licensed banks and financial institutions and investments in treasury bills.

(f) Financial instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument.

All regular way purchases and sales of financial assets are recognised or derecognized on the trade date i.e. the date on which the Company commits itself to purchase or sell an asset. A regular way purchase and sale of financial assets is a purchase or sale of an asset under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned.

When financial assets are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the asset.

Financial assets are derecognised when the contractual rights to receive the cash flows expire or where the risks and rewards of ownership of the assets have been transferred.

The Company classifies its financial assets based on the Company's business model and the financial assets contractual terms, measured at:

- Amortised cost (AC);
- Fair value through profit or loss (FVTPL); and
- Fair value through other comprehensive income (FVOCI).

2. Summary of Significant Accounting Policies (continued)

(g) Financial assets

The Company measures debt instruments and loans at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amounts outstanding.

The Business Model reflects how the Company manages groups of financial assets to generate cash flows and achieve its business objective. An assessment is made at a portfolio level and is based on factors such as:

- The stated objectives and policies of the portfolios;
- How information about financial assets and their performance is reported and evaluated by the entity's key management personnel; and
- Management's identification of and response to the risks that affect the performance of the business model.

The SPPI Test requires the Company to assess the contractual terms of the financial assets. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes typically the consideration for the time value of money and credit risk. However, where the contractual term introduces volatilities that are inconsistent with a basic lending arrangement or risk exposures, the related financial assets are to be classified and measured at FVTPL or FVOCI.

Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option, on an investment-by-investment basis to present changes in the value of non-trading instruments in other comprehensive income without subsequent reclassification to profit or loss.

(h) Financial assets - Loans

Loans comprise policy loans, automatic premium loans and mortgage loans.

Policy loans and automatic premium loans are stated at outstanding principal plus accrued interest and are secured by the cash surrender values of the respective policies.

Mortgage loans are stated at amortised principal using the effective interest rate method less provision for loan losses. Specific provisions are made for potential losses on non-performing loans on the basis of net realisable value. Periodic portfolio reviews are conducted during the course of each year to determine the adequacy of provisions. Mortgage loans are secured by residential and commercial properties.

(i) Impairment of financial assets under IFRS 9

Under IFRS 9 the Company recognises an allowance for expected credit losses (ECLs) associated with its assets carried at amortized cost at each reporting date.

ECLs are measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether the asset is considered to be credit impaired. The Company uses the probability of default (PD) approach when calculating ECLs.

The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. Lifetime ECL results from all possible default events over the expected life of the financial instrument. Both 12-month and lifetime ECLs are calculated on either an individual or collective basis, depending on the size and nature of the underlying portfolio of financial assets.

IFRS 9 outlines a three-stage model for impairment, which the Company uses to classify its financial assets:

Stage 1: When financial assets are first recognised, are not credit impaired, continue to perform in accordance with its contractual terms and conditions and credit risk is continuously monitored, the Company records an allowance based on 12-month ECLs.

Stage 2: When financial assets are identified as having significant increases in credit risk since origination, but are not yet deemed to be credit impaired, the Company records an allowance based on lifetime ECLs.

Stage 3: When financial assets have objective evidence of impairment at the reporting date i.e. when these financial assets are deemed to be credit impaired, the Company records an allowance based on lifetime ECLs.

(j) Investment properties

Investment properties comprise land and buildings held to earn rentals and/or for capital appreciation rather than occupied by the Company for use in the supply of goods and services or for administrative purposes. Land and buildings that comprise a portion held to earn rentals and/or for capital appreciation and another portion that is occupied by the Company for administrative purposes are classified as investment properties only if an insignificant portion is held for administrative purposes. Otherwise, it is classified under property, plant and equipment.

An investment property is recognised as an asset only if it is probable that the future economic benefits that are associated with the investment property will flow to the Company and its cost can be measured reliably.

Investment properties are measured initially at cost including transaction costs. Cost is the amount of cash or cash equivalents paid or the fair value or other consideration given to acquire an asset at the time of its acquisition or construction.

After initial recognition investment properties are measured at fair values. Fair values are based on independent professional open market valuations that are conducted at least once every three years. The last valuations were done in 2019 and 2021. Gains and losses arising from changes in fair values are included in profit or loss in the period in which they arise.

Transfers to or from investment properties are made only when there is a change in use.

MARITIME LIFE (CARIBBEAN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

2. Summary of Significant Accounting Policies (continued)

(j) Investment properties (continued)

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss arising from the retirement or disposal is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss in the period of retirement or disposal.

(k) Property, plant and equipment

i) Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset only if it is probable that the future economic benefits associated with the item will flow to the Company and its cost can be measured reliably.

Cost includes the purchase price and any expenditure directly attributable to the acquisition of the item. Expenditures incurred for repairs and maintenance are recognised in profit or loss as incurred.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of the item is determined as the difference between the net disposal proceeds and the carrying amount of the item and is recognised in profit or loss when the item is derecognised.

ii) Owner occupied properties comprise land and buildings used by the Company for the supply of goods and services or for administrative purposes and are stated at fair values less accumulated depreciation and accumulated impairment losses.

Fair values are based on independent professional open market valuations that are conducted at least once every three years. The last valuations were done in 2020 and 2021. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the property and the net amount is restated to the revalued amount.

Increases in carrying amounts arising from revaluations are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus in capital reserve. Increases are recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

Decreases in carrying amounts arising from revaluations are recognized in other comprehensive income to the extent of any credit balance existing in revaluation surplus in respect of that asset. All other decreases are recognised in profit or loss.

Revaluation surpluses are transferred directly to retained earnings as the assets are used, measured as the difference between depreciation based on the revalued amounts and depreciation based on asset's original cost, and upon derecognition of the respective assets.

Revaluation surpluses are transferred directly to retained earnings upon derecognition of the respective assets.

iii) Plant and equipment are stated at historical cost less accumulated depreciation.

iv) Property, plant and equipment are depreciated over their estimated useful lives using the straight line method at the following rates:

Buildings	-	2% per annum
Furniture/equipment	-	10 - 25% per annum
Motor vehicles	-	25% per annum

Land is not depreciated.

The depreciation method, useful lives and residual values of property, plant and equipment are reviewed annually. During the current year no changes were required.

(l) Financial liabilities

When financial liabilities are recognised initially, they are measured at fair value of the consideration given net of transaction costs directly attributable to the acquisition of the liability.

Financial liabilities are re-measured at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognised in profit or loss.

(m) Provisions

Provisions are recognised when there is a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(n) Insurance contracts

i) Insurance contracts are those contracts under which the Company accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if an uncertain future event (insured event) adversely affects the policyholder.

Insurance risk is risk other than financial risk transferred from the policyholder to the Company. Investment contracts transfer financial risk but not insurance

MARITIME LIFE (CARIBBEAN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

2. Summary of Significant Accounting Policies (continued)

(n) Insurance contracts (continued)

risk. Financial risk is the risk of a possible future change in either a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Insurance risk is significant if and only if, an insured event could cause the payment of significant additional benefits in any scenario, excluding scenarios that lack commercial substance.

Uncertainty under insurance contracts arises as to whether an insured event will occur, when it will occur or how much will be payable if it occurs. Significant additional benefits are amounts that exceed those that would be payable if no insured event occurred.

ii) Once a contract has been classified as an insurance contract it remains an insurance contract until all rights and obligations are extinguished or expired. The liability under an insurance contract is removed from the statement of financial position when and only when, it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired.

iii) Reinsurance contracts are those contracts entered into with reinsurers under which the Company is compensated for losses under one or more insurance contracts issued.

(o) Long term insurance contracts

i) Long term insurance contracts insure human life events (for example death, survival, permanent disability) over a long duration and include life assurance, annuity and deposit administration contracts. These contracts are classified as those with discretionary participation features and those without discretionary participation features. For insurance contracts with discretionary participation features, the guaranteed element has not been recognised separately.

Discretionary participation features are contractual rights to receive, as a supplement to guaranteed benefits, additional benefits that are likely to be a significant portion of the total contractual benefits, whose amount or timing is contractually at the discretion of the issuer, and that are contractually based on the performance of a specified pool of contracts or a specified type of contract, realised or unrealised investment returns on a specified pool of assets by the issuer, or the surplus of the Company.

Guaranteed benefits are payments or other benefits to which a particular policyholder has an unconditional right that is not at the discretion of the Company.

ii) The liabilities arising from long term insurance contracts include provisions for future policy benefits and provisions for outstanding claims.

iii) Long term insurance contracts are valued using the Premium Policy Method ("PPM") for traditional insurances and fund value for insurance contracts with fund accumulations.

The PPM requires the calculation of the policy liabilities, on a policy by policy basis, using the full amount of the policy premium stipulated in the related policies (the actual premiums), and the policy payments (without insurance arbitrary limitation on expenses) such that the net present value of these elements, after providing for adverse deviations, form the policy benefit liabilities.

The PPM requires the calculation of the present value of future claims and expenses less premiums, based on realistic assumptions with respect to future investment earnings, expenses, mortality, morbidity and lapses together with reasonable provisions for margins. In deriving the liabilities, the PPM takes into consideration assumptions about the future impact of mortality, lapse rates, administration expenses and interest rates, among other factors, for each policy type.

The valuation by the Company's Appointed Actuary at December 31, 2021 revealed surplus before tax amounting to $46,124,000 (2020: $54,907,000, of which $45,719,000 (2020: $54,539,000) is allocated to shareholders and $405,000 (2020: $368,000) is allocated to "participating" policyholders.

iv) Provisions for outstanding claims comprise the estimated cost of all claims and claims expenses incurred but not settled at the year-end date. Provisions are also made for claims and claims expenses incurred in 2021 but not reported until after the year-end date. Differences between the provisions for outstanding claims and claims expenses and subsequent settlements and revisions are included in profit or loss in later years.

(p) Liability adequacy test

The Company assesses at reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in profit or loss and the amount of the relevant insurance contract liabilities is increased.

The Liability Adequacy Test required by IFRS 4 has been performed in respect of Insurance Contracts in-force as at December 31, 2021. Sensitivity analysis was done on liabilities amounting to 88% of total liabilities. The results of the sensitivity testing, within the liability adequacy test, are shown in Note 25.

(q) Impairment of reinsurance assets

If a reinsurance asset is impaired the carrying amount is reduced accordingly and the impairment loss is recognised in profit or loss.

A reinsurance asset is impaired if, and only if, there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Company may not receive all amounts due to it under the terms of the contract and that event has a reliably measurable impact on the amount that the Company will receive from the reinsurer.

2. Summary of Significant Accounting Policies (continued)

(r) Revenue recognition

i) Premiums from insurance contracts are shown on a receivable basis.

Premiums that became due within the last thirty days but not collected at the reporting date are shown as outstanding premiums.

Premiums that are not collected within thirty days of the due date are advanced as automatic premium loans on the security of the cash surrender values of the respective policies, or the policies lapse or expire.

Premiums received in advance of the due date are credited to premium suspense.

ii) Investment and other income derived from long term insurance business is allocated to policyholders.

iii) Interest income is accounted for using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial instrument and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period to the carrying amount of the financial instrument.

Accrual of interest income ceases when a payment on a loan is contractually ninety days in arrears and will only be recognised on a cash basis when the loan status is determined to be current.

iv) Dividends are accounted for when the shareholders' right to receive the dividends is established.

v) Commissions receivable are recognised upon the billing of the respective premiums.

vi) Rentals under operating leases are recognised on a straight line basis over the lease term.

Leases which do not transfer substantially all the risks and rewards incidental to ownership are classified as operating leases. Assets leased under operating leases include land and buildings classified as investment properties and owner occupied properties. The lease terms range from three to five years.

vii) Miscellaneous income comprises fees and other sundry income.

(s) Policyholders' benefits

i) Death claims, disability claims and surrenders are recognised upon notification.

ii) Maturities and annuities are accounted for when due.

(t) Reinsurance premiums and recoveries

i) Reinsurance premiums on long term insurance contracts are expensed when due, which generally coincides with when the policy premium is due. Reinsurance claim recoveries are established at the time of the recording of the claim notification.

ii) Profit sharing commissions due to the Company are only recognised as commission income when there is reasonable certainty of collectability.

(u) Other direct costs

Commissions payable are recognised on settlement of the respective premiums.

(v) Expenses of management

i) Employee benefits

Employee benefits are all forms of consideration given by the Company in exchange for service rendered by the employees and include both short term and post-employment benefits.

Short term benefits comprise wages and salaries, bonuses, national insurance contributions, paid annual vacation and sick leave and other non-monetary benefits including group health and group life coverage. They are recognised as a liability, net of payments made and charged as expenses to profit or loss.

The expected cost of accumulating compensated absences for vacation and sick leave not yet taken is measured as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

Post-employment benefits: All full time employees of the Company participate in a defined contribution pension plan. A defined contribution plan is a post-employment benefit plan under which an entity pays a fixed contribution into a fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and future periods. The Company's contribution to this plan is charged to profit or loss as incurred.

ii) Other administrative expenses

Other administrative expenses include office, technology, real estate, legal and professional fees, advertising and sales promotions, and miscellaneous expenses.

(w) Foreign currencies

Foreign currency transactions during the year are translated into Trinidad and Tobago dollars at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities in foreign currencies at the reporting date are expressed in Trinidad and Tobago dollars at the exchange rates ruling at that date. Profits and losses thus arising are dealt with in profit or loss.

(x) Taxation

i) Deferred taxation is provided using the liability method for all temporary differences between the carrying amounts and tax bases of assets and liabilities using current corporation tax rates. The principal temporary differences arise from depreciation of property, plant and equipment, unrealised gains/losses and amounts credited directly to equity.

MARITIME LIFE (CARIBBEAN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

2. Summary of Significant Accounting Policies (continued)

(x) Taxation (continued)

ii) Corporation tax is charged annually at 15% of investment and other income relating to long term insurance funds (other than approved pension plans) less investment expenses allowable in relation thereto. A further 10% corporation tax is chargeable on net surpluses arising from the annual actuarial valuations, when these are transferred to shareholders.

3. Critical Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty

(a) The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions in the process of applying the Company's accounting policies.

These are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and are reviewed on an ongoing basis. Actual results could differ from those estimates.

Changes in accounting estimates are recognised in profit or loss in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

(b) Critical judgements

The critical judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

i) Whether investments are classified as financial assets at fair value through profit or loss, at fair value through other comprehensive income or at amortised cost.

ii) Measurement of expected credit loss allowance.

iii) Whether land and buildings are classified as land development, investment properties or owner-occupied properties.

iv) Whether leases are classified as operating leases or financial leases.

v) Which depreciation method for property, plant and equipment is used.

vi) Whether policy contracts issued are classified as insurance contracts or investment contracts.

vii) The methods used for the valuation of liabilities arising under insurance contracts.

viii) When insurance premiums are recognised in profit or loss.

(c) Key assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date (requiring management's most difficult, subjective or complex judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

i) Fair values

The fair values of financial assets are based on quoted market prices for specific or similar instruments.

The fair values of land and buildings are based on independent professional open market valuations.

ii) Measurement of the expected credit loss allowance - IFRS 9

The measurement of impairment losses under IFRS 9 requires the use of complex models and requires significant assumptions. A number of significant accounting judgements and estimates were required for the ECL model, these include:

- The Company's internal credit rating model, as this was used in calculating probability of default;
- The estimation of the present value of collateral values when determining impairment losses;
  Determining criteria for assessing if there has been a significant increase in credit risk; and
- Development of ECL models, including the various formulae.

iii) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and business model assessment. The Company determines the business model at a level that reflects how financials assets are managed together to achieve the business objectives. An assessment is made at a portfolio level and is based on factors such as:

- How information about financial assets and their performance is reported and evaluated by the entity's key management personnel; and
- Management's identification of and response to the risks that affect the performance of the business model.

iv) Property, plant and equipment

Management exercises judgement in determining whether future economic benefits can be derived from expenditures to be capitalised and the useful lives and residual values of these assets.

v) Long term insurance contracts liabilities

At the inception of the contract, management and the Appointed Actuary determine assumptions regarding mortality, morbidity, lapses, surrenders, return on investments, and the level of expenses that have a material effect on the valuation of insurance liabilities. These

MARITIME LIFE (CARIBBEAN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

3. Critical Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty (continued)

(c) Key assumptions (continued)

v) Long term insurance contracts liabilities (continued)

assumptions are based on past experience as well as prevailing and expected future conditions. They are reviewed annually and are changed as current and future expected circumstances change.

4. Current Assets

	2021 $'000	2020 $'000
Cash and bank balances	64,047	41,930
Short term investments	28,690	104,572
Accounts receivable	70,932	66,338
Reinsurance assets	66,905	43,348
Outstanding premiums	24,054	19,530
Taxation recoverable	6,949	6,816
	261,577	**282,534**

(a) Short term investments - Concentration:

	2021 $'000	2020 $'000
Deposits with licensed banks and financial Institutions	28,690	104,572

(b) Accounts receivable

	2021 $'000	2020 $'000
Accrued investment income	20,354	19,935
Amounts due from subsidiaries	42,156	45,468
Other receivables	37,844	29,955
	100,354	95,358
Less: Impairment provision	29,422	29,020
	70,932	66,338

(c) Impairment provision

	2021 $'000	2020 $'000
Balance brought forward	29,020	29,132
Provision for the year	402	(112)
	29,422	29,020

(d) Reinsurance assets

	2021 $'000	2020 $'000
Amounts due from reinsurers	-	-
Reserves on long term insurance contracts	53,897	31,855
Reinsurers share of outstanding claims	13,008	11,493
	66,905	43,348
Total	66,905	43,348

(e) Reconciliation of changes in reinsurance assets

	2021 $'000	2020 $'000
Amounts due from reinsurers		
Balance brought forward	-	-
Recoverable for the year	12,311	16,889
Payments received during the year	(12,311)	(16,889)
Balance carried forward	-	-
Other amounts		
Balance brought forward	43,348	31,530
Increases in:		
Long term insurance contracts	22,042	8,103
Outstanding claims	1,515	3,715
Balance carried forward	66,905	43,348
Total	66,905	43,348

5. Investments in Associates

	2021 $'000	2020 $'000
Shares at cost	-	-

6. Investments in Subsidiaries

	2021 $'000	2020 $'000
Shares at cost	**241,572**	**234,614**

7. Financial Assets

	2021 $'000	2020 $'000
Investment securities		
Fair value through profit or loss	172,154	143,883
Fair value through other comprehensive income	34,538	49,054
Amortised cost	1,302,798	1,188,419
	1,509,490	1,381,356
Loans		
Policy and automatic premium loans	72,192	72,507
Mortgages and other loans	175,914	176,104
	248,106	248,611
Total	**1,757,596**	**1,629,967**

7. Financial Assets (continued)

(a) Fair values

	2021 $'000	2020 $'000
i) By financial asset classification		
Investment securities		
Fair value through profit or loss	172,154	143,883
Fair value through other comprehensive income	34,538	49,054
Amortised cost	1,366,608	1,256,163
	1,573,300	1,449,100
Loans	248,106	248,611
	1,821,406	1,697,711
ii) By level of hierarchy		
Level 1	459,057	448,249
Level 2	1,112,629	999,237
Level 3	249,720	250,225
	1,821,406	1,697,711

(b) Investment securities - Concentration

	2021 $'000	2020 $'000
Government/government guaranteed bonds	912,446	825,657
State enterprises bonds	116,516	92,017
Financial institutions bonds	161,929	200,051
Other corporate bonds	127,549	140,129
	1,318,440	1,257,854
Quoted equities	190,949	123,401
Unquoted equities	101	101
	191,050	123,502
Total	1,509,490	1,381,356

(c) Investment securities at Amortised cost

	2021 $'000	2020 $'000
Amortised cost	1,307,782	1,192,959
Less: expected credit loss allowance	4,984	4,540
	1,302,798	1,188,419
Expected credit loss allowance		
Balance brought forward	4,540	2,886
Remeasurement of expected credit losses	444	1,654
	4,984	4,540

(d) Unquoted equities

	2021 $'000	2020 $'000
i) At cost	1,331	1,331
Less: impairment provision	1,230	1,230
	101	101
ii) Impairment provision		
Balance brought forward	1,230	1,235
Provision for the year	-	(5)
	1,230	1,230

(e) Policy and automatic premium loans

	2021 $'000	2020 $'000
Policy loans	39,136	36,754
Automatic premium loans	30,883	32,522
Accrued interest	2,173	3,231
	72,192	72,507

(f) Mortgages loans

	2021 $'000	2020 $'000
i) Loans outstanding	176,843	177,022
Less: expected credit loss allowance	929	918
	175,914	176,104
ii) Expected credit loss allowance		
Balance brought forward	918	715
Re-measurement of expected credit losses	11	203
	929	918
iii) Concentration - sectoral analysis		
Consumer	89,565	88,888
Commercial and industrial	86,349	87,216
	175,914	176,104
iv) Credit quality		
Individually impaired	711	-
Past due but not impaired	26,487	12,538
Neither past due nor impaired	148,716	163,566
	175,914	176,104

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8. Investment Properties

	2021 $'000	2020 $'000
At beginning of the year	162,405	139,888
Additions	411	21,595
Fair value gains	9,300	922
	172,116	**162,405**
(a) Rental income	5,041	4,731
(b) Direct operating expenses	2,486	1,534

9. Property, Plant and Equipment

	Properties $'000	Furniture/ Equipment $'000	Motor Vehicles $'000	Total 2021 $'000	Total 2020 $'000
Cost/Valuation					
At beginning of year	158,022	73,620	7,947	239,589	232,615
Additions	-	2,672	560	3,232	7,474
Revaluation	8,800	-	-	8,800	-
Disposals	-	-	-	-	(500)
At end of the year	166,822	76,292	8,507	251,621	239,589
Accumulated depreciation					
At beginning of year	3,777	68,925	6,258	78,960	75,074
Charge for the year	2,026	1,764	723	4,513	4,386
Revaluation	(5,250)	-	-	(5,250)	-
Disposals	-	-	-	-	(500)
At end of the year	553	70,689	6,981	78,223	78,960
Net book Value	**166,269**	**5,603**	**1,526**	**173,398**	**160,629**

	2021 $'000	2020 $'000
(a) Written down value of the properties based on cost	75,275	77,093
Revaluation surplus brought forward	76,729	76,938
Revaluation surplus for the year	14,050	-
Transfer to retained earnings	(209)	(209)
	90,570	76,729

10. Current Liabilities

	2021 $'000	2020 $'000
Bank overdraft	14,740	20,129
Accounts payable and accruals	38,688	35,513
Provision for employees benefits	4,860	4,242
Premium suspense	24,302	24,666
Reinsurance liabilities	249	3,874
	82,839	**88,424**

(a) Bank overdraft

The Company has two overdraft facilities:

i) $2,500,000 at Scotiabank Trinidad and Tobago Limited which is unsecured and bears interest at 7.25% (2020: 9.50%) per annum.

ii) US$4,000,000 at Republic Bank Limited which is secured by a lien over credit balance on an account at Republic Bank Limited and bears interest at 4.75% (2020: 5.00%) per annum.

(b) Reinsurance liabilities

	2021 $'000	2020 $'000
Balance brought forward	3,874	2,360
Reinsurance premiums for the year	23,266	20,689
Payments made during the year	(26,891)	(19,175)
Balance carried forward	249	3,874

11. Deferred Tax Liabilities

	2021 $'000	2020 $'000
Balance brought forward	11,547	24,048
Provision - current year	30	29
Provision - prior year	-	(12,530)
Balance carried forward	**11,577**	**11,547**

12. Insurance Contracts Liabilities

	2021 $'000	2020 $'000
With discretionary participation features	834,585	791,091
Without discretionary participation features	997,993	961,707
Provisions for outstanding claims	58,741	52,279
	1,891,319	**1,805,077**

(a) Reconciliation of changes for the year

	2021 $'000	2020 $'000
Balance brought forward	1,805,077	1,733,043
Change in life assurance and annuities reserves	51,345	48,912
Change in deposit administration funds	6,311	8,411
Change in policyholder dividends	82	95
Change in claims	4,947	2,798
Change in reinsurance assets	23,557	11,818
Balance carried forward	1,891,319	1,805,077

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12. Insurance Contracts Liabilities (continued)

(b) Net insurance contracts liabilities

	2021 $'000	2020 $'000
Insurance contracts liabilities	1,891,319	1,805,077
Less: reinsurance assets (Note 4(d))	66,905	43,348
	1,824,414	1,761,729
Represents		
With discretionary participation features	834,585	791,091
Without discretionary participation features	944,096	929,852
Provisions for outstanding claims	45,733	40,786
	1,824,414	1,761,729

(c) Concentration by lines of business

	2021 $'000	2020 $'000
Life assurance funds	620,035	568,934
Annuities	1,066,175	1,060,984
Deposit administration contracts	132,228	125,917
Policyholder dividends	5,976	5,894
	1,824,414	1,761,729

(d) Provision for outstanding claims

	2021 $'000	2020 $'000
Balance brought forward	52,279	45,766
Claims incurred for the year	125,072	117,430
Reinsurance assets	1,515	3,715
Payments made during the year	(120,125)	(114,632)
Balance carried forward	58,741	52,279

13. Stated Capital

Authorised
An unlimited number of ordinary shares of no par value.

Issued and fully paid
10,871,387 shares of no par value.

Share premium, which was included in Capital Reserve, was added to Stated Capital during the previous year.

14. Capital Reserve

Capital reserve represents surpluses on revaluation of owner-occupied properties.

	2021 $'000	2020 $'000
Revaluation surpluses (Note 9(b))	90,570	76,729
Share premium	-	-
	90,570	**76,729**

15. General Reserve

The general reserve represents appropriations of retained earnings for any possible unforeseen losses on financial assets for which alternative specific provision is not made.

16. Investment Revaluation Reserve

The investment revaluation reserve represents unrealised gains and losses arising from changes in fair value of financial assets at fair value through other comprehensive income.

17. Investment Income

	2021 $'000	2020 $'000
Interest income	82,591	83,187
Dividends	20,302	17,529
Rental income from operating leases	8,078	7,927
Foreign exchange gains/(losses)	(425)	747
Realised (losses)/gains	2,958	(1,242)
Unrealised (losses)/gains	27,282	(8,852)
Expected credit losses on financial assets	(444)	(1,857)
	140,342	**97,439**

(a) Interest income

	2021 $'000	2020 $'000
Cash and cash equivalents	(581)	(39)
At fair value through profit or loss	974	1,936
Fair value through other comprehensive income	2,184	2,574
Amortised cost	63,737	59,944
Loans	15,782	18,349
Other	495	423
	82,591	83,187

(b) Gains/(losses)

	2021 $'000	2020 $'000
Fair value through profit or loss	19,676	(9,387)
Fair value through other comprehensive income	(102)	(182)
Amortised cost	1,337	(3,218)
Loans	(12)	(203)
Investment properties	9,300	922
Other assets	(403)	117
	29,796	(11,951)

18. Other Income

	2021 $'000	2020 $'000
Commissions	7,745	7,597
Miscellaneous income	299	119
	8,044	**7,716**

19. Expenses of Management

	2021 $'000	2020 $'000
Employee benefits	37,583	28,408
Depreciation (net)	4,513	4,159
Other administrative expenses	55,018	40,396
	97,114	**72,963**
Pension costs included in employee benefits	1,127	1,080

20. Taxation

(a) Tax charge for the year

	2021 $'000	2020 $'000
Current year	3,300	3,500
Prior year	-	(7,945)
Deferred taxation	30	(12,501)
	3,330	**(16,946)**
Insurance revenue statement	3,330	3,529
Shareholders	-	(20,475)
	3,330	**(16,946)**

(b) Reconciliation

Income taxes in the Statements of Income vary from amounts that would be computed by applying the statutory tax rates for the following reasons:

	2021 $'000	2020 $'000
Surplus before taxation	49,049	58,068
Tax at applicable statutory tax rates	12,263	14,517
Effect of different tax rates of life insurance companies	(333)	(353)
Items not subject to tax	(4,213)	(6,318)
Temporary differences	304	288
Other	(4,991)	(4,935)
	3,030	3,199
Prior year	-	(20,475)
Green Fund Levy	300	330
	3,330	(16,946)

21. Capital Commitments

	2021 $'000	2020 $'000
Mortgage loans	**8,783**	**16,929**

22. Assets Pledged – Statutory Deposit, Statutory Fund and Catastrophe Reserve Fund

The fair value of assets deposited with and /or pledged to the order of the Inspector of Financial Institutions under the provisions of the Insurance Act, 1980 as at December 31, 2020 amounted to $1.808 million.

Effective January 1, 2021 pursuant to the proclamation of the Insurance Act, 2018 local insurance companies are no longer required to pledge assets to the order of the Central Bank of Trinidad and Tobago for the purpose of the statutory fund as previously required under the Insurance Act 1980.

Section 83 of the Insurance Act 2018 requires insurance companies to maintain adequate capital and to maintain and hold adequate assets to support its liabilities to its Trinidad and Tobago policyholders.

23. Future Income from Operating Leases

Future rental income due on non-cancellable operating leases:

	2021 $'000	2020 $'000
Up to one year	7,113	6,997
Two to three years	14,170	12,865
	21,283	**19,862**

24. Related Party Transactions

Related party transactions are transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

Related parties include: persons, or a close member of that person's family, who has control, joint control or significant influence over the Company, including members of the key management personnel; all subsidiaries (Note 32), all associates (Note 5) and joint venture partners; and the Company's post employment benefit plan for the employees of the Company.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and conditions at market rates.

Balances and transactions with related parties during the year were as follows:

	2021 $'000	2020 $'000
(a) Associates	-	-

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24. Related Party Transactions (continued)

	2021 $'000	2020 $'000
(b) Subsidiaries		
Investments in stated capital	241,572	234,614
Balances due from - secured	28,459	28,470
Balances due from – unsecured	13,697	16,998
Balances due to – unsecured	(3,206)	-
Provisions for doubtful debts	(13,639)	(13,639)
Short term investments	11,444	13,442
Other investments	12,762	12,226
Accrued investment income	107	112
Income earned	12,239	12,034
Dividends received	15,913	13,913
Increase in the provision for doubtful debts	-	-
Expenses incurred	(1,816)	(1,458)
(c) Post employment benefit plan		
Deposit administration contract	97,486	93,733
Pension fund contributions	2,428	2,274
Purchase of annuities	4,837	1,801
(d) Key management personnel		
Mortgage loans	5,834	4,853
Interest income	306	137
(e) Key management compensation		
Short term benefits	5,919	5,317
Post employment benefits	166	152
	6,085	**5,469**

25. Insurance Contracts – Assumptions, Changes in Assumptions and Sensitivity

(a) Long term insurance contract

i) The actuarial liabilities for long term insurance contracts are determined in accordance with the provisions of the Insurance Act, 2018 and following generally accepted actuarial practice in the Republic of Trinidad and Tobago. These liabilities are determined using the PPM (Note 2 (n) (iii)) which incorporates best-estimate assumptions for mortality, morbidity, policy lapses, surrenders, future investment yields, policy dividends, expenses and margins for adverse deviation. These assumptions are reviewed annually and when necessary are updated to reflect actual experience and market conditions.

The most significant impact on the valuation of this liability results from a change in the assumption for future investment yields. Future investment yields may be sensitive to variations in reinvestment interest rates, which may affect the valuation of policy benefit liabilities.

Total net policy liabilities increased from $1,589 million to $1,640 million as a result of the following:

- The normal increase for in-force and new business was an increase of $69.274 million;
- The impact on liabilities from changes in methods and assumptions resulted in a net decrease in net actuarial liabilities of $17.929 million as follows:
  - Changes to mortality and morbidity assumptions resulted in a net decrease of $1.526 million;
  - Adjustments to lapse assumptions resulted in a net increase of $11.403 million;
  - Year end 2021 interest rates were updated based on 2021 yields on underlying investments. Scenario testing was carried out using a base and four additional interest rate scenarios. The valuation interest rates were chosen based on the scenario producing the highest net actuarial liabilities. This resulted in a net decrease of $34.664 million;
  - Amounts are included in actuarial liabilities to provide for the costs of administering in-force policies, including the costs of premium collection, adjudication and processing of claims, periodic actuarial calculations, preparation and mailing of policy statements, and related indirect expenses and overhead. Policy maintenance expenses are derived from the Group's internal cost analyses, which are reviewed and updated annually and then projected into the future with an allowance for inflation. The impact on liabilities was a net decrease of $6.487 million; and
  - Model refinements, data correction, methodology and management action, and adjustments for reinsurance, lapses and mortality resulted in a net increase of $13.345 million.

ii) **Sensitivity**

The liability adequacy tests were performed using the PPM and current best estimate assumptions. The sensitivity of the liability adequacy test carried out was as follows:

Scenario	Change in Assumption	% Sensitivity of Liabilities to Changes in Assumptions
Increase in interest	+1%	-7.7%
Decrease in interest	-1%	+11.7%
Increase in mortality (life insurance) Decrease in mortality (annuities)	+10%	+1.5%
Decrease in mortality (life insurance) Increase in mortality (annuities)	-10%	-1.4%
Increase in lapses	+10%	0.0%
Decrease in lapses	-10%	+0.1%
Increase in expenses	+20%	+3.2%
Decrease in expenses	-20%	-3.1%
Increase in critical illness incidence	+10%	+1.4%
Decrease in critical illness incidence	-10%	-0.8%

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26. Insurance Risk

The Company is involved in underwriting, pricing, and accepting various kinds of risks in exchange for premiums. The insurance contract gives rise to the traditional insurance risk, which is the uncertainty that an insured event will occur resulting in financial consequences covered by the insurance contract, in addition to regulatory, legal, and pricing risk. Regulatory risk is associated with the potential of laws, directives and guidelines affecting the insurance industry to change and impact the insurance operations. Legal risk arises out of the costs associated with a possible dispute over policy terms and conditions and any other legal matter arising from the insurance contract. Pricing risk is the possibility that the premiums paid for the transfer of various risks are not sufficient. The objective of risk management of insurance contracts is to properly identify, assess, control, evaluate and price all risks so as to increase stakeholder value.

As part of the Company's enterprise risk management strategy, risks are managed through the underwriting processes, claims management, reinsurance, diversification among various products, asset liability management, and actuarial consultation.

(a) Underwriting

The principal area of risk management begins in the underwriting process. Underwriting is the entire process that entails selecting policyholders by recognising and evaluating hazards, establishing prices, and determining policy terms and conditions. These processes are continually reviewed as it is at this stage that the Company determines if a risk will be accepted, rejected, or modified.

The Company has strict underwriting guidelines that have been developed with the assistance of actuarial support. These guidelines are reviewed and audited to ensure compliance.

(b) Long term insurance contracts

Policy benefits under long term insurance contracts become payable when an insurable event such as death or critical illness occurs, at a specified time such as at the retirement date specified by an annuity contract and on the exercise of policy options such as surrender or request for a policy loan by a policy-owner.

i) Underwriting

Underwriting risk inherent in long term insurance contracts is the risk that the company's rates will prove inadequate because experience (mortality, morbidity, lapse, expense, average size cases etc.) worsens vis a vis pricing parameters.

ii) Longevity risk on annuity business

The Company is exposed to a risk exposure to improvement in mortality on its annuity business. This risk is managed by using a conservative mortality assumption in pricing including mortality improvement projections.

iii) Mortality and morbidity risk

Mortality and morbidity risks including critical illness incidence are managed through pricing and underwriting strategies and reinsurance arrangements. Mortality improvement continues to be experienced, however the Company is exposed to the risk of a sudden and severe spike in mortality rates due to either a global or region specific pandemic. These risks are mitigated through catastrophe reinsurance arrangements.

iv) Lapse risk

Lapse risk is managed through product design and conservation strategies.

v) Experience studies

Experience studies are carried out on a regular basis to monitor experience vis a vis pricing assumptions and to determine experience assumptions for cash flow and profitability projections.

vi) Reinsurance

Reinsurance is used to reduce any single exposure of an insured. Limits and retentions are set according to the risk tolerance of stakeholders. The Company in certain cases also relies on the reinsurers' expertise in analyzing risks, product development and training.

vii) Pricing risk

The Company's insurance contracts are subject to pricing risk, which includes risks associated with mortality, expenses, and investments. The Company manages its pricing risk through actuarial support in the review of existing products and new product development. The Appointed Actuary assists in managing the development and deployment of an appropriate and efficient product development process that is tailored to the organizational structure and available resources. The Appointed Actuary approves all product design and pricing and conducts experience studies on mortality and morbidity, lapses, and expenses.

(c) Concentration on insurance risk

i) The Company is exposed to significant insurance risk on the various lines of business written.

ii) Sums assured

	2021 $'000	2020 $'000
Gross	11,691,858	11,041,848
Less: reinsurance	6,258,107	5,910,257
	5,433,751	**5,131,591**

27. Financial Risk

(a) Enterprise risk management

The Company's overall strategy is to move away from traditional risk management to enterprise risk management (ERM), whereby the company assesses, controls, exploits, finances, and monitors risks from all sources affecting it for the purpose of increasing stakeholder value, and also within the context of the Group as a whole. This holistic approach allows the Company to mitigate risk and create value. In essence, the Company can increase stakeholder value while maintaining an acceptable level of risk to stakeholders. As a part of the ERM strategy the Company identifies and evaluates all risks in the context of one another as opposed to distinct risks.

27. Financial Risk (continued)

(a) Enterprise risk management (continued)

The Company is exposed to financial risk including credit risk, liquidity risk, currency risk, interest rate risk and price risk. In particular, the key financial risk is that proceeds from its financial and reinsurance assets are not sufficient to fund obligations arising from insurance contracts and financial liabilities.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company is exposed to credit risk mainly on its short term investments, accounts receivable, reinsurance assets, investments in bonds and mortgage loans.

i) Short term investments

The credit risk on short term investments is limited because the funds are invested in deposits with licensed banks and financial institutions, and in treasury bills.

ii) Accounts receivable

Accounts receivable are stated at amounts outstanding less impairment provisions. Adequate provisions have been made for any uncollectible amounts.

iii) Reinsurance assets

The Company reduces its credit risk associated with reinsurance assets by entering into treaty agreements only with reinsurers who have acceptable credit ratings.

iv) Bonds

The Company invests in bonds issued only by governments, state enterprises, licensed financial institutions, and corporations with acceptable credit ratings. The Company actively reviews all bond-issuing entities in which investments are being considered. The Company also limits the size of any given bond issue compared to the size of its investment portfolio.

v) Mortgage loans

The value at risk associated with mortgage loans is not very significant as they are secured by property, which has experienced a significant increase in value.

vi) Concentration

The Company has set an upper limit of total assets that can be invested with any one company or group of related companies so as to avoid any significant concentration of credit risk.

vii) Global economic developments and government policies

The Company actively monitors global economic developments and government policies that may affect the growth rate of the local economy.

viii) Credit Risk Ratings and Probability of Default (PD) estimations

The Company uses internal credit risk ratings, which reflect its assessment of the individual counterparties risk profile. The Company has two internal rating models one tailored to companies and the other to individuals. Borrower and loan specific information collected at the time of the application (such as asset value, sales turnover, credit history, security structure, geographical location) is fed into the model. Each exposure is allocated a credit risk rating on initial recognition based on the information inputted into the model.

Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk-rating band. The monitoring typically involves use of the following data:

- Information obtained during periodic review of customer files – eg. audited financial statements, management accounts. Examples of areas of particular focus are; gross profit margin, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, key management changes, etc.;
- Actual and expected significant changes in the financial, economic, political, regulatory and technological environment of the borrower and/or in its business activities;
- Payment records inclusive of overdue status (where applicable); and
- Utilization of approved credit facilities.

The Company's credit risk ratings are the primary input into the determination of PDs for exposures. The Company looked at performance and number of defaults over a period of time analyzed by credit risk grading. Historical PDs were developed using statistical models, which analyzed the data collected, generating estimates of the Probability of Default of exposures.

For debt securities in our investment portfolios, external credit rating agency credit grades are used. These published grades are continuously monitored and updated. The PD's associated with each grade are determined based on realized default over the prior 12 months as published by the rating agency.

ix) Significant increase in credit risk

In order to determine whether a financial asset or portfolio of financial assets are subject to 12 month ECL or lifetime ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. Whether the risk of default on a financial instrument has increased significantly, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and credit assessment.

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27. Financial Risk (continued)

(b) Credit risk (continued)

x) Default and credit impaired assets

The Company considers a financial asset defaulted and therefore Stage 3 (credit impaired) for ECL calculations when it meets one or more of the following criteria:

- The borrower is more than 180 days past due on its contractual obligations;
- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as collateral realization;
- It is probable that there would be a modification to the original agreement due to the borrower's inability to pay its credit obligations; and
- The exposure has been classified as Accounts in Liquidation as per the Company's classification process.

xi) The Calculation of ECL

The Company calculates ECLs as the discounted product of the Probability of Default (PD) and the Loss Given Default (LGD). These are defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months or the remaining lifetime of the obligation.
- The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is the difference between the contractual cash flows that are due to the Company and the present value of any collateral held adjusted for realization expenses.

The discount rate used in the ECL calculation is the original effective interest rate.

For financial assets classified in Stage 1, the 12 month ECL allowance is calculated based on the expectation of default occurring in the 12 months following the reporting date. These expected 12-month PDs are multiplied by the expected LGDs as defined above to derive a 12-month allowance.

For financial assets in Stage 2, having shown a significant increase in credit risk, the Company records an allowance for the lifetime ECLs. The calculations are similar to those explained above

For financial assets considered credit impaired, the Company recognizes the lifetime ECLs, similar to that for those in Stage 2, with the PD set at 100%.

The following table sets out our 2021 ECL calculation of loans and advances at amortized cost, displayed by Stages:

	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
December 31, 2021				
Mortgage and other loans				
Gross loans	117,510	30,562	28,771	176,843
Expected credit loss allowance	(60)	(83)	(786)	(929)
Carrying amount	117,450	30,479	27,985	175,914
December 31, 2020				
Mortgage and other loans				
Gross loans	122,422	41,569	13,031	177,022
Expected credit loss allowance	(68)	(137)	(713)	(918)
Carrying amount	122,354	41,432	12,318	176,104

xii) Maximum exposure to credit risk

The Company's maximum exposure to credit risk without taking account of any collateral held or other credit enhancements is as follows:

	2021 $'000	2020 $'000
Maximum exposure to credit risk	1,720,439	1,677,821

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company is exposed to daily calls on its available cash resources to settle trade, financial and insurance liabilities.

i) Risk environment

The Company operates in an environment in which most investments are subject to liquidity risk. There is no active bond market and the Trinidad and Tobago Stock Exchange lists less than forty public companies. There are also only a few local licensed banking and financial institutions to deposit funds. Liquidity risk is also increased because of restrictions imposed by the provisions of the Insurance Act, 1980 that govern the investments of statutory funds.

ii) Risk management

To manage and reduce liquidity risk the Company's asset liability committee actively meets to match cash inflows with liability requirements. The Company maintains a minimum percentage of its assets in short term investments and has un-drawn credit lines available to meet its short term obligations as they fall due. In addition, the Company's investments in marketable bonds and equities can be used for liquidity support if the need arises.

iii) Liquidity gap

The Company's exposure to liquidity risk is summarised in the table below which analyses assets and liabilities by relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date, except for insurance contracts liabilities which are analysed by estimated timings:

MARITIME LIFE (CARIBBEAN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

27. Financial Risk (continued)

(c) Liquidity risk (continued)

2021

	Up to one year $'000	Two to five years $'000	Over five years $'000	Undated $'000	Total $'000
Assets					
Liquid assets	92,737	-	-	-	92,737
Financial assets	110,824	606,885	776,645	263,242	1,757,596
Other assets	168,840	-	-	587,086	755,926
	372,401	606,885	776,645	850,328	2,606,259
Liabilities					
Borrowings	14,740	-	-	-	14,740
Insurance contracts	42,835	89,307	1,712,930	46,247	1,891,319
Other liabilities	68,099	-	-	11,577	79,676
	125,674	89,307	1,712,930	57,824	1,985,735
Net Gap	246,727	517,578	(936,285)	792,504	620,524
Cumulative Gap	246,727	764,305	(171,980)	620,524	

2020

	Up to one year $'000	Two to five years $'000	Over five years $'000	Undated $'000	Total $'000
Assets					
Liquid assets	146,502	-	-	-	146,502
Financial assets	99,465	538,940	795,553	196,009	1,629,967
Other assets	136,032	-	-	557,648	693,680
	381,999	538,940	795,553	753,657	2,470,149
Liabilities					
Borrowings	20,129	-	-	-	20,129
Insurance contracts	43,679	81,730	1,635,794	43,874	1,805,077
Other liabilities	68,295	-	-	11,547	79,842
	132,103	81,730	1,635,794	55,421	1,905,048
Net Gap	249,896	457,210	(840,241)	698,236	565,101
Cumulative Gap	249,896	707,106	(133,135)	565,101	

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk, and other price risk.

(e) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company operates primarily in the Republic of Trinidad and Tobago. Most of the Company's liabilities are denominated in local currency and are matched with local assets. The strategy for dealing with foreign exchange risk is to, as far as possible, offset foreign currency liabilities with assets denominated in the same currency.

Due to the unavailability of foreign exchange from the local banking system, the Company holds foreign currency assets for investment purposes and to settle obligations in foreign currencies.

The Company's net exposure to currency risk is as follows:

	2021 $'000	2020 $'000
United States Dollars	486,485	470,999
Canadian dollars	18,766	9,184
	505,251	480,183

(f) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities, including short term investments, investments in bonds, mortgage loans and bank overdraft.

i) Risk management

Exposure is managed using interest rate sensitivity management.

In the Republic of Trinidad and Tobago, the availability of creative hedging strategies is greatly limited. Therefore, the Company attempts to maintain a well-balanced portfolio by matching interest sensitive assets with interest sensitive liabilities.

ii) Short term investments

The short maturities of these investments allow the Company to take advantage of rising interest rates. However, the Company is exposed to falling interest rates. As part of a well-balanced portfolio, if interest rates decrease, the increase in value of the bond portfolio will reduce the negative effect of the reduction in interest rate.

iii) Bonds

The Company invests mainly in medium to long term bonds consisting of both floating rate and fixed rate instruments.

Financial assets classified as at fair value through profit or loss comprises mainly floating rate securities. The market values of these bonds are not very sensitive to changes in interest rates.

Financial assets classified as held to maturity category comprises mainly fixed rate bonds. The market values of these bonds are sensitive to changes in interest rates. The longer the maturity of the bonds, the greater is the sensitivity to

27. Financial Risk (continued)

(f) Interest rate risk (continued)

iii) Bonds (continued)

changes in interest rates. Because these assets are being held to maturity and are not traded, any changes in market value will not impact profit or loss.

The Company actively monitors bonds with maturities greater than ten years, as well as the interest rate policies of the Central Bank of Trinidad and Tobago.

iv) Mortgage loans

Mortgage loans are for terms of up to thirty years. The interest rates on mortgage loans are generally fixed for the first three years and adjustable thereafter.

v) Interest rate sensitivity gap

The Company's exposure to interest rate risk is summarised in the table below which analyses assets and liabilities at their carrying amounts categorised by the earlier of contractual re-pricing or maturity dates except for insurance contracts liabilities.

2021

	Up to one year $'000	Two to five years $'000	Over five years $'000	Non-Interest bearing $'000	Total $'000
Assets					
Liquid assets	92,737	-	-	-	92,737
Financial assets	154,096	582,944	829,506	191,050	1,757,596
Other assets	-	-	-	755,926	755,926
	246,833	582,944	829,506	946,976	2,606,259
Liabilities					
Borrowings	14,740	-	-	-	14,740
Insurance contracts	893,326	297,724	618,936	81,333	1,891,319
Other liabilities	-	-	-	79,676	79,676
	908,066	297,724	618,936	161,009	1,985,735
Net Gap	(661,233)	285,220	210,570	785,967	620,524
Cumulative Gap	(661,233)	(376,013)	(165,443)	620,524	

2020

	Up to one year $'000	Two to five years $'000	Over five years $'000	Non-Interest bearing $'000	Total $'000
Assets					
Liquid assets	146,502	-	-	-	146,502
Financial assets	150,886	619,010	736,569	123,502	1,629,967
Other assets	-	-	-	693,680	693,680
	297,388	619,010	736,569	817,182	2,470,149
Liabilities					
Borrowings	20,129	-	-	-	20,129
Insurance contracts	843,370	286,007	617,574	58,126	1,805,077
Other liabilities	-	-	-	79,842	79,842
	863,499	286,007	617,574	137,968	1,905,048
Net Gap	(566,111)	333,003	118,995	679,214	565,101
Cumulative Gap	(566,111)	(233,108)	(114,113)	565,101	

(g) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (equity and commodity prices) whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market.

i) Equity price risk

The Company is exposed to equity price risk on its investments in equity instruments classified as available for sale financial assets and financial assets at fair value through profit or loss.

Most of these investments are listed on the Trinidad and Tobago Stock Exchange. The Company actively reviews the financial performance, future growth potential, and economic environment before investing in any equities.

The Company has very limited investments in unquoted equity instruments. These investments are stated at cost less provision for impairment losses.

The Company's total exposure to equity instruments is as follows:

	2021 $'000	2020 $'000
Fair value through profit or loss	164,584	123,401
Fair value through other comprehensive income	26,466	101
Subsidiaries	241,572	234,614
	432,622	358,116

ii) Commodity price risk

The Company is not exposed to commodity price risk.

28. Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The existence of published price quotation in an active market is the best evidence of fair value. Where market prices are not available, fair values are estimated using various valuation techniques, including using recent arm's length

MARITIME LIFE (CARIBBEAN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

28. Fair Value Measurement (continued)

market transactions between knowledgeable, willing parties, if available, current fair value of another financial instrument that is substantially the same and discounted cash flow analysis.

The Company measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Valuation techniques using significant unobservable inputs.

The following methods have been used to estimate the fair values of various classes of financial instruments:

i) Current assets and current liabilities

The carrying amounts of current assets and current liabilities are a reasonable approximation of the fair values because of their short-term nature.

ii) Quoted securities

The fair values of quoted securities are determined on the basis of quoted market prices available at December 31, 2021.

iii) Unquoted securities

The fair values of unquoted securities are determined using various valuation techniques. Unquoted securities are stated at cost less accumulated impairment provisions.

iv) Loans

Loans and receivables are stated net of specific provisions for impairment losses. These assets result from transactions under typical market conditions and their values are not adversely affected by unusual terms. The inherent rates of interest in the portfolio approximate market conditions and yield discounted cash flow values, which are substantially in accordance with financial statement amounts.

29. Capital Risk Management

The Company manages its capital to ensure that it:

- Complies with the regulatory capital requirements as required by the Insurance Act 2018 and Capital Adequacy Regulations
- Continues as a going concern
- Maintains a strong capital base to support the development of its business
- Maximizes the return to shareholders relative to the considerations above.

The capital structure of the Company consists of equity attributable to shareholders, comprising issued capital, reserves and retained earnings.

The Insurance Act 2018 and Capital Adequacy Regulations require every insurer to: maintain adequate capital, and adequate and appropriate forms of liquidity to support its risk profile and business: maintain the minimum Net Tier 1 Ratio of 105%; and the Regulatory Capital Ratio of 150%; have a minimum stated capital of $15 million and to maintain and hold adequate assets to support its liabilities to its Trinidad and Tobago policyholders.

The Company calculates and reports the capital adequacy ratios to the Regulators, Executive Management and the Board of Directors on a quarterly basis. The Company also seeks to maintain capital adequacy at levels higher than the minimum regulatory requirements.

For the years ended December 31, 2021 and 2020, the Company has complied with all the regulatory requirements to which it is subject.

30. Contingent Liabilities

On 20th May 2004 the Company along with others were charged with the offence of conspiring with other persons to obtain contracts and payments contrary to section 34 of the Larceny Act, Chapter 11:12. The Company's attorneys have always advised that this is not an offence known in law. On 23rd February 2005, four additional charges were preferred against the Company and others. Those charges each alleged a conspiracy to defraud contrary to common law. In April 2011, approximately seven years after the initial charge was preferred against the Company, the Prosecution informed the Court that they would not be proceeding with this and other charges. On 14th July 2017, after hearing all of the Prosecution's evidence, the Magistrate discharged the Company in respect of all the remaining charges on the basis that there was no evidence to disclose a prima facie case against the Company. It is important to emphasize that the Prosecution did not seek to challenge the Magistrate's decision to discharge the Company. For the avoidance of doubt, there are no pending criminal charges or allegations against the Company. On 29th January 2021, the Company initiated proceedings against the Attorney General on the basis that it had been maliciously prosecuted. These proceedings are at a preliminary stage. No directions have yet been given as to when the matter will be heard.

31. Dividends

(a) Dividends Paid

	2021 $'000	2020 $'000
Year ended December 31, 2021 (Final - 40¢)	4,348	-
Year ended December 31, 2020 (Final - 40¢)	-	4,348
	4,348	4,348

(b) The Board of Directors proposed a final dividend of 40¢ per share for the year ended December 31, 2021 (2020: 40¢ per share). This dividend, amounting to $4,348,555 (2020: $4,348,555) is not recorded as a liability in the statement of financial position in accordance with IAS 10.

MARITIME LIFE (CARIBBEAN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

32. Subsidiaries

	Place of Incorporation	2021 % Shareholding	2020 % Shareholding
Balandra By The Bay 1 Limited Land development	Republic of Trinidad and Tobago	100.00	100.00
Development Finance Limited Term lenders and equity investors in small and medium sized private industrial and commercial enterprises in the Caribbean	Republic of Trinidad and Tobago	49.75	49.75
Fidelity Finance and Leasing Company Limited Acceptance of deposits and carrying on the business of a finance house or finance company, trust company and leasing corporation	Republic of Trinidad and Tobago	100.00	100.00
Inter-Island Mortgage Finance Limited Granting of mortgage loans	Republic of Trinidad and Tobago	100.00	100.00
Keystone Property Developers Limited Building contractors and real estate developers	Republic of Trinidad and Tobago	100.00	100.00
Las Cuevas South West Limited Land development	Republic of Trinidad and Tobago	100.00	100.00
Maritime Capital Limited Registered under the provisions of the Securities Act, 2012 as a Broker-Dealer to conduct the activities of Broker-Dealer as agent and Broker-Dealer as Principal	Republic of Trinidad and Tobago	100.00	100.00
Maritime Capital Limited Income and Growth Fund	Republic of Trinidad and Tobago	91.70	92.74
Maritime Capital Limited Global Equity Fund	Republic of Trinidad and Tobago	90.00	89.84
South Coast One Limited Leasing of property	Republic of Trinidad and Tobago	100.00	100.00
South Coast Two Limited Leasing of property	Republic of Trinidad and Tobago	100.00	100.00
Caribbean Microfinance Trinidad & Tobago Limited Microfinance/Investment administration services	Republic of Trinidad and Tobago	100.00	100.00
Maritime General Insurance Company Limited Underwriting all classes of general insurance business in Trinidad and Tobago	Republic of Trinidad and Tobago	100.00	100.00
Maritime Leasing Company Limited Leasing of equipment and commercial properties	Republic of Trinidad and Tobago	100.00	100.00
Maritime Residences Limited Development, trade and rental of newly constructed dwelling houses	Republic of Trinidad and Tobago	75.00	75.00
Nettletons Limited Retail operations	Republic of Trinidad and Tobago	100.00	100.00
Comteq Technological Services Company Limited On-line sales	Republic of Trinidad and Tobago	100.00	100.00
Marnett Security Company Limited Provision of security services	Republic of Trinidad and Tobago	100.00	100.00
Belle Vue Bay Limited Property holdings	Republic of Trinidad and Tobago	100.00	100.00
Maritime Residences 167 Limited Property holdings	Republic of Trinidad and Tobago	100.00	100.00

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MARITIME GENERAL INSURANCE COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

STATEMENT OF MANAGEMENT RESPONSIBILITIES

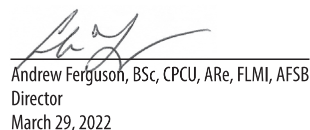
Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of the Maritime General Insurance Company Limited, which comprise the statement of financial position as at December 31, 2021, the statement of comprehensive income, insurance revenue statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the company's assets, detection/prevention of fraud, and the achievement of the company's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the company will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.



Andrew Ferguson, BSc, CPCU, ARe, FLMI, AFSB
Director
March 29, 2022

Salahudeen Ali, FCCA, CA, CPA, CGA
Chief Financial Officer
March 29, 2022

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Maritime General Insurance Company Limited

Opinion
We have audited the financial statements of Maritime General Insurance Company Limited, which comprise the statement of financial position as at December 31, 2021, and the statement of comprehensive income, insurance revenue statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter
Without qualifying our opinion we draw attention to Note 29 to the financial statements. The State laid several charges against the Company, together with other companies and individuals. The ultimate outcome of these matters cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

Responsibilities of Management and the Board of Directors for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it

INDEPENDENT AUDITORS' REPORT (continued)

exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

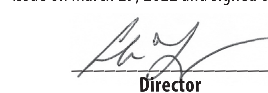
We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

PKF Chartered Accountants and Business Advisors
Barataria,
TRINIDAD
March 29, 2022

MARITIME GENERAL INSURANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2021

	Notes	2021 $'000	2020 $'000
Assets			
Current assets	4	91,914	148,497
Investment in fellow subsidiaries	5	33,000	33,000
Financial assets	6	374,166	338,886
Investment properties	7	18,900	10,200
Property, plant and equipment	8	25,469	33,748
Total Assets		**543,449**	**564,331**
Financed by:			
Liabilities			
Current liabilities	9	29,783	29,939
Insurance contracts liabilities	10	217,432	256,683
Borrowings	11	18,230	7,917
Total Liabilities		265,445	294,539
Equity			
Stated capital	12	4,965	4,965
Statutory surplus reserve	13	-	69,382
Catastrophe reserve	14	28,197	28,197
General reserve	15	4,356	4,356
Capital reserve	16	4,839	11,580
Investment revaluation reserve	17	(729)	-
Retained earnings		236,376	151,312
Total Equity		278,004	269,792
Total Liabilities and Equity		**543,449**	**564,331**

These financial statements were approved by the Board of Directors and authorised for issue on March 29, 2022 and signed on their behalf by



Director

Director

The accompanying notes form part of these financial statements

MARITIME GENERAL INSURANCE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

	Notes	2021 $'000	2020 $'000
Total Revenue		**195,470**	**209,186**
Underwriting surplus transferred from the Insurance Revenue Statement		10,598	17,050
Investment income (net)	18	15,205	11,559
Unrealised gain on foreign exchange		95	422
Net income from operations		25,898	29,031
Less: Finance charges		484	717
Net income before taxation		25,414	28,314
Less: Taxation	19	4,060	9,346
Net income after taxation		**21,354**	**18,968**
Other comprehensive income			
Items not to be reclassified to profit or loss in subsequent periods			
Unrealised loss on equity instruments at fair value through other comprehensive income	17	(729)	
Surplus on revaluation of owner-occupied properties		-	1,814
Total comprehensive income		**20,625**	**20,782**

The accompanying notes form part of these financial statements

MARITIME GENERAL INSURANCE COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021 $'000	2020 $'000
Cash Flows from Operating Activities		
Net income before taxation	25,414	28,314
Adjustment for items not involving the movement of cash:		
Depreciation (net)	1,513	1,769
Gains and losses (net)	(7,716)	2,776
Change in insurance contracts liabilities	678	(2,819)
Operating income before working capital changes	19,889	30,040
Change in current receivables	406	401
Change in current payables	(2,342)	(4,206)
Cash generated from operations	17,953	26,235
Corporation taxes paid (net)	(1,874)	(7,094)
Net cash generated from operating activities	16,079	19,141
Cash Flows from Investing Activities		
Sale/redemption of assets	58,138	97,950
Purchase of financial assets	(89,104)	(80,310)
Purchase of property, plant and equipment	(351)	(98)
Net cash (used in)/generated from investing activities	(31,317)	17,542
Cash Flows from Financing Activities		
Proceeds from issue of borrowing	18,931	-
Loan repayments	(8,618)	(4,108)
Dividends paid	(12,413)	(12,413)
Net cash used in financing activities	(2,100)	(16,521)
Net change in cash and cash equivalents	(17,338)	20,162
Cash and cash equivalents at the beginning of the year	44,343	24,181
Cash and cash equivalents at the end of the year	**27,005**	**44,343**
Represented by		
Cash and bank balances	27,005	35,890
Short term investments	-	8,453
	27,005	**44,343**

The accompanying notes form part of these financial statements

MARITIME GENERAL INSURANCE COMPANY LIMITED
INSURANCE REVENUE STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2021

2021

	Notes	Property $'000	Motor $'000	Liability $'000	Marine $'000	Pecuniary Loss $'000	Personal Accident $'000	Total $'000
Amount of fund at the beginning of the year								
Provisions for unearned premiums	10	2,147	41,094	2,167	42	192	-	45,642
Provisions for unexpired risk	10	161	3,082	163	3	14	-	3,423
Gross premiums		74,602	77,279	5,690	433	570	-	158,574
Recoveries from reinsurers		2,519	-	-	14	-	-	2,533
Commissions received		14,906	-	155	45	103	-	15,209
Deficit transferred to Statement of Comprehensive Income		4,015	-	4,295	-	79	-	8,389
		98,350	**121,455**	**12,470**	**537**	**958**	**-**	**233,770**
Premiums ceded		72,624	981	1,211	212	354	-	75,382
Gross claims incurred		2,424	27,366	6,752	(4,238)	128	-	32,432
Commissions paid		8,446	18,355	1,052	97	109	-	28,059
Expenses of management	20	12,538	12,988	957	73	94	-	26,650
Other underwriting expenses		-	2,368	-	-	-	-	2,368
Surplus transferred to Statement of comprehensive income		-	14,635	-	4,352	-	-	18,987
Amount of fund at the end of the year								
Provisions for unearned premiums	10	2,156	41,639	2,324	38	254	-	46,411
Provisions for unexpired risk	10	162	3,123	174	3	19	-	3,481
		98,350	**121,455**	**12,470**	**537**	**958**	**-**	**233,770**
Net surplus/(deficit) transferred to Statement of Comprehensive Income		**(4,015)**	**14,635**	**(4,295)**	**4,352**	**(79)**	**-**	**10,598**

2020

	Notes	Property $'000	Motor $'000	Liability $'000	Marine $'000	Pecuniary Loss $'000	Personal Accident $'000	Total $'000
Amount of fund at the beginning of the year								
Provisions for unearned premiums	10	2,882	40,983	2,501	51	196	-	46,613
Provisions for unexpired risk	10	216	3,073	188	4	15	-	3,496
Gross premiums		61,250	77,953	5,999	22,490	562	-	168,254
Recoveries from reinsurers		12,753	-	-	293	-	-	13,046
Commissions received		13,247	-	161	102	296	-	13,806
Deficit transferred to Statement of Comprehensive Income		1,420	-	-	3,304	-	-	4,724
		91,768	**122,009**	**8,849**	**26,244**	**1,069**	**-**	**249,939**
Premiums ceded		59,000	910	1,776	22,301	440	-	84,427
Gross claims incurred		12,709	24,105	1,590	370	(109)	-	38,665
Commissions paid		8,337	17,605	980	70	106	-	27,098
Expenses of management	20	9,414	11,981	921	3,458	86	-	25,860
Other underwriting expenses		-	3,050	-	-	-	-	3,050
Surplus transferred to Statement of Comprehensive Income		-	20,182	1,252	-	340	-	21,774
Amount of fund at the end of the year								
Provisions for unearned premiums	10	2,147	41,094	2,167	42	192	-	45,642
Provisions for unexpired risk	10	161	3,082	163	3	14	-	3,423
		91,768	**122,009**	**8,849**	**26,244**	**1,069**	**-**	**249,939**
Net surplus/(deficit) transferred to Statement of Comprehensive Income		**(1,420)**	**20,182**	**1,252**	**(3,304)**	**340**	**-**	**17,050**

The accompanying notes form part of these financial statements

MARITIME GENERAL INSURANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021

	Stated Capital $'000	Statutory Surplus Reserve $'000	Catastrophe Reserve $'000	General Reserve $'000	Capital Reserve $'000	Investment Revaluation Reserve $'000	Retained Earnings $'000	Total Equity $'000
Balance as at December 31, 2019	**4,965**	**64,874**	**27,263**	**4,356**	**9,957**	**-**	**150,008**	**261,423**
Total comprehensive income	-	-	-	-	1,814	-	18,968	20,782
Dividends paid 2020 ($2.50)	-	-	-	-	-	-	(12,413)	(12,413)
Transfers to/(from) retained earnings	-	4,508	934	-	(191)	-	(5,251)	-
Balance as at December 31, 2020	**4,965**	**69,382**	**28,197**	**4,356**	**11,580**	**-**	**151,312**	**269,792**
Total comprehensive income	-	-	-	-	-	(729)	21,354	20,625
Dividends paid 2021 ($2.50)	-	-	-	-	-	-	(12,413)	(12,413)
Transfers to/(from) retained earnings	-	(69,382)	-	-	(6,741)	-	76,123	-
Balance as at December 31, 2021	**4,965**	**-**	**28,197**	**4,356**	**4,839**	**(729)**	**236,376**	**278,004**

The accompanying notes form part of these financial statements

MARITIME GENERAL INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. Incorporation and Principal Activity

The Company is incorporated in the Republic of Trinidad and Tobago and was continued under the provisions of the Companies Act, 1995 on March 23, 1999. Its principal activity is carrying on the business of underwriting all classes of general insurance in Trinidad and Tobago. Its registered office and principal place of business are located at 29 Tenth Avenue, Barataria. It is a wholly owned subsidiary of Maritime Life (Caribbean) Limited, a company incorporated in the Republic of Trinidad and Tobago, for which consolidated financial statements are prepared annually.

2. Summary of Significant Accounting Policies

(a) Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and are stated in thousands of Trinidad and Tobago dollars. They have been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss, investment properties and owner-occupied properties.

The accounting policies used are consistent with those of previous years except for the adoption of new standards and interpretations noted below.

(b) New Accounting Standards and Interpretations

i) New standards and amendments/revisions to published standards and interpretations effective in 2021 but not applicable to the Company

The Company has not applied the amendments to the following standards which became effective during the current financial year as either they do not apply to the activities of the Company or have no material impact on the financial statements.

Effective for annual periods beginning on or after 1 January 2021

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

2. Summary of Significant Accounting Policies (continued)

(b) New Accounting Standards and Interpretations (continued)

i) New standards and amendments/revisions to published standards and interpretations effective in 2021 but not applicable to the Company (continued)

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. With publication of the phase two amendments, the IASB has completed its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

Effective for annual periods beginning on or after 1 April 2022

Amendment to IFRS 16 - Covid-19-Related Rent Concessions beyond 30 June 2021.

Effective for annual periods beginning on or after 1 April 2021. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic.

ii) New interpretations and amended/revised standards that are not yet in effect and have not been early adopted by the Company

The following is a list of new IFRS standards and amendments issued that are not yet in effect as at December 31, 2021. The Company is currently assessing the impact of adopting these standards and interpretations.

Effective for annual periods beginning on or after 1 January 2022

Amendments to IFRS 3 - Reference to the Conceptual Framework

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

Amendments to IAS 37 - Onerous Contracts - Costs of fulfilling a Contract

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter.

The amendment permits a subsidiary that elects to apply paragraph D16 (a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16 (a) of IFRS 1.

IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities.

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

IAS 41 Agriculture - Taxation in fair value measurements.

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted.

Effective for annual periods beginning on or after 1 January 2023

IFRS 17 - Insurance Contracts

In December 2021, the IASB amended IFRS 17 to add a transition option for a "classification overlay" to address possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of IFRS 17. If an entity elects to apply the classification overlay, it can only do so for comparative periods to which it applies IFRS 17 (i.e., from transition date to the date of initial application of IFRS 17).

Amendments to IAS 8 - Definition of Accounting Estimates

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments

2. Summary of Significant Accounting Policies (continued)

(b) New Accounting Standards and Interpretations (continued)

ii) New interpretations and amended/revised standards that are not yet in effect and have not been early adopted by the Company (continued)

clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

Amendments to IAS 1 or Non-current.	-	Classification of Liabilities as Current
Amendments to IAS 1 and IFRS Practice Statement 2	-	Disclosure of Accounting Policies
Amendments to IAS 12	-	Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

(c) Comparative figures

Certain comparative figures were restated to facilitate changes in presentation. These changes had no effect on the previously reported surplus.

(d) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash and bank balances, bank overdrafts and short term investments.

Short term investments are highly liquid investments and comprise deposits placed with licensed banks and financial institutions and investments in treasury bills.

(e) Investment in fellow subsidiaries

Investment in fellow subsidiaries is accounted for at cost.

Subsidiaries are all entities over which the Company has control. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has power over the investee (i.e. existing right that give it the current ability to direct the relevant activities of the investee), exposure or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns.

The Company considers all relevant facts and circumstances in assessing whether it has power over an investee; including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements, and the Company's voting rights and potential voting rights. The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

A listing of the fellow subsidiaries, their principal activities and place of incorporation is given in Note 5.

(f) Financial instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument.

(g) Financial assets

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date on which the Company commits itself to purchase or sell an asset. A regular way purchase and sale of financial assets is a purchase or sale of an asset under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned.

When financial assets are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the asset.

Financial assets are derecognised when the contractual rights to receive the cash flows expire or where the risks and rewards of ownership of the assets have been transferred.

The Company classifies its financial assets based on the Company's business model and the financial assets contractual terms, measured at:

- Amortized cost (AC)
- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income (FVOCI)

The Company measures debt instruments at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amounts outstanding.

The business model reflects how the Company manages groups of financial assets to generate cash flows and achieve its business objective. An assessment is made at a portfolio level and is based on factors such as:

- The stated objectives and policies of the portfolios;
- How information about financial assets and their performance is reported and evaluated by the entity's key management personnel; and
- Management's identification of and response to the risks that affect the performance of the business model.

The SPPI Test requires the Company to assess the contractual terms of the financial assets. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e.

MARITIME GENERAL INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

2. Summary of Significant Accounting Policies (continued)

(g) Financial assets (continued)

interest includes typically the consideration for the time value of money and credit risk. However, where the contractual term introduces volatilities that are inconsistent with a basic lending arrangement or risk exposures, the related financial assets are to be classified and measured at FVTPL or FVOCI.

Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option, on an investment-by-investment basis to present changes in the value of non-trading instruments in other comprehensive income without subsequent reclassification to profit or loss.

(h) Impairment of financial assets

Under IFRS 9 the Company recognises an allowance for Expected Credit Losses (ECLs) associated with its assets carried at amortized cost at each reporting date.

ECLs are measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether the asset is considered to be credit impaired. The Company uses the probability of default (PD) approach when calculating ECLs.

The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. Lifetime ECL results from all possible default events over the expected life of the financial instrument. Both 12-month and lifetime ECLs are calculated on either an individual or collective basis, depending on the size and nature of the underlying portfolio of financial assets.

IFRS 9 outlines a three-stage model for impairment, which the Company uses to classify its financial assets:

Stage 1: When financial assets are first recognized, are not credit impaired, continue to perform in accordance with its contractual terms and conditions and credit risk is continuously monitored, the Company records an allowance based on 12-month ECLs.

Stage 2: When financial assets are identified as having significant increases in credit risk since origination, but are not yet deemed to be credit impaired, the Company records an allowance based on lifetime ECLs.

Stage 3: When financial assets have objective evidence of impairment at the reporting date i.e. when these financial assets are deemed to be credit impaired, the Company records an allowance based on lifetime ECLs.

(i) Investment properties

Investment properties comprise of land and buildings held for rentals and/or for capital appreciation rather than occupied by the Company for use in the supply of goods and services or for administrative purposes. Land and buildings that comprise a portion held to earn rentals and/or for capital appreciation and another portion that is occupied by the Company for administrative purposes are classified as investment properties only if an insignificant portion is held primarily for administrative purposes. Otherwise it is classified as property, plant and equipment.

An investment property is recognised as an asset only if it is probable that future economic benefits associated with the investment property will flow to the Company and its cost can be reliably measured.

Investment properties are initially measured at cost including transaction costs. Cost is the amounts of cash and cash equivalents paid or the fair value of other consideration given to acquire the asset at the time of its acquisition or construction.

After initial recognition, investment properties are measured at fair values. Fair values are based on independent professional open market valuations that are conducted at least once every three years. The last valuations were done in 2020 and 2021. Gains and losses arising from changes in fair values are included in profit or loss in the period in which they arise.

Transfer to or from investment properties are made only when there is a change in use.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The gains or losses arising from the retirement or disposal is determined as the difference between the net proceeds and the carrying amount of the asset and is recognised in profit or loss in the period of retirement or disposal.

(j) Property, plant and equipment

i) Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset only if it is probable that the future economic benefits associated with the item will flow to the Company and its cost can be measured reliably.

Cost includes the purchase price and any expenditure directly attributable to the acquisition of the item. Expenditures incurred for repairs and maintenance is recognised in profit or loss as incurred.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of the item, determined as the difference between the net disposal proceeds and the carrying amount of the item is recognised in profit or loss when the item is derecognized.

ii) Owner occupied properties comprise land and buildings used by the Company for the supply of goods and services or for administrative purposes and are stated at fair values less accumulated depreciation and accumulated impairment losses.

Fair values are based on independent professional open market valuations that are conducted at least once every three years. The last valuations were done in 2020 and 2021. Any accumulated depreciation at

MARITIME GENERAL INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

2. Summary of Significant Accounting Policies (continued)

(j) Property, plant and equipment (continued)

the date of revaluation is eliminated against the gross carrying amount of the property and the net amount is restated to the revalued amount.

Increases in carrying amounts arising from revaluations are recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus in capital reserve. Increases are recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

Decreases in carrying amounts arising from revaluations are recognized in other comprehensive income to the extent of any credit balance existing in revaluation surplus in respect of that asset. All other decreases are recognised in profit or loss.

Revaluation surpluses are transferred directly to retained earnings as the assets are used, measured as the difference between depreciation based on the revalued amounts and depreciation based on asset's original cost, and upon derecognition of the respective assets.

iii) Plant and equipment are stated at historical cost less accumulated depreciation.

iv) Property, plant and equipment are depreciated over their estimated useful lives using the straight line method at the following rates:

Buildings	2% per annum
Office furniture and equipment	10% - 25% per annum
Motor vehicles	25% per annum

Land is not depreciated.

The depreciation method, useful lives and residual values of property, plant and equipment are reviewed annually. During the current year no changes were required.

(k) Financial liabilities

When financial liabilities are recognised initially, they are measured at fair value of the consideration given net of transaction costs directly attributable to the acquisition of the liability.

Financial liabilities are re-measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognised in profit or los

(i) Provisions

Provisions are recognised when there is a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(m) Insurance contracts

i) Insurance contracts are those contracts under which the Company accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if an uncertain future event (insured event) adversely affects the policyholder.

Insurance risk is risk other than financial risk transferred from the policyholder to the Company. Investment contracts transfer financial risk but not insurance risk. Financial risk is the risk of a possible future change in either a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Insurance risk is significant if and only if, an insured event could cause the payment of significant additional benefits in any scenario, excluding scenarios that lack commercial substance.

Uncertainty under insurance contracts arises as to whether an insured event will occur, when it will occur or how much will be payable if it occurs.

Significant additional benefits are amounts that exceed those that would be payable if no insured event occurred.

ii) Once a contract has been classified as an insurance contract it remains an insurance contract until all rights and obligations are extinguished or expire. The liability under an insurance contract is removed from the statement of financial position when and only when, it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires.

iii) Reinsurance contracts are those contracts entered into with reinsurers under which the Company is compensated for losses under one or more insurance contracts issued.

iv) The Company deals with short term insurance contracts specifically. Short term insurance contracts generally run for a period of twelve months and are subject to review and renewal at the end of that period. These contracts include property, motor, liability, marine, pecuniary loss and personal accident insurance contracts.

v) The liabilities arising from short term insurance contracts include provisions for unearned premiums, unexpired risks and outstanding claims.

2. Summary of Significant Accounting Policies (continued)

(m) Insurance contracts (continued)

vi) Provisions for unearned premiums

Provisions for unearned premiums represent the proportions of the premiums written in the year which relate to periods of insurance subsequent to the reporting date and are computed on the daily pro-rata fractional basis - the "365ths" method, except for mortgage indemnity, contractors all risk, erection all risk and performance bond business (some of which carry a policy period in excess of twelve months). The unearned premiums on these policies are pro-rated over the periods of the guarantees/policies.

vii) Provisions for unexpired risks

Provisions for unexpired risks represent amounts set aside at the year-end, in addition to unearned premiums, in respect of the subsequent risks to be borne by the Company under insurance contracts in force at the year-end and are computed as a percentage of unearned premiums.

viii) Provisions for outstanding claims

Provisions for outstanding claims comprise the estimated cost of all claims and claims expenses incurred but not settled at the year-end date. Provisions are also made for claims and claims expenses incurred in 2021 but not reported until after the year-end date. Differences between the provisions for outstanding claims and claims expenses and subsequent settlements and revisions are included in the insurance revenue statement in later years.

ix) Catastrophe reserves

Amounts set aside for catastrophe reserves are included in equity.

x) Liability adequacy test

The Company assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in profit or loss and the amount of the relevant insurance contract liabilities is increased.

xi) Impairment of reinsurance assets

If a reinsurance asset is impaired, the carrying amount is reduced accordingly and the impairment loss is recognised in profit or loss.

A reinsurance asset is impaired if, and only if, there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Company may not receive all amounts due to it under the terms of the contract and that event has a reliably measurable impact on the amount that the Company will receive from the reinsurer.

(n) Revenue recognition

i) Premiums due on short term insurance policies are accounted for on a receivable basis, upon issuance or renewal of the respective policies and include amounts due from brokers and agents. These premiums are recognised as revenue on a pro-rata basis over the period of coverage of the respective policy.

Premiums received in advance of the due date are credited to premium suspense.

ii) Commissions receivable are recognised upon the billing of the respective premiums.

iii) Underwriting results are stated after allowing for reinsurance premiums, underwriting expenses and claims recoveries and after making adequate provisions for unearned premiums, unexpired risks and outstanding claims.

iv) Investment income less a proportion of management expenses is allocated to the statement of comprehensive income.

v) Interest income is accounted for using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial instrument and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period to the carrying amount of the financial instrument.

vi) Dividends are accounted for when the shareholders' right to receive the dividends is established.

(o) Claims incurred

Claims arising from short term insurance contracts are recorded as an expense when they are incurred and are stated net of recoveries from subrogations and salvages. Subrogations are accounted for when received, whereas salvages are accounted for when the damaged properties (usually motor vehicle wrecks) are sold.

(p) Reinsurance premiums and recoveries.

i) Premiums ceded on short term insurance contracts are expensed on a pro-rata basis over the term on the respective policy coverage or of the respective reinsurance contract as appropriate. Reinsurance claim recoveries are established at the time of the recording of the claim liability.

ii) Profit sharing commissions due to the Company are only recognised as commission income when there is reasonable certainty of collectability.

(q) Commissions payable

Commissions payable are recognised on settlement of the respective premiums.

MARITIME GENERAL INSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

2. Summary of Significant Accounting Policies (continued)

(r) Expenses of management

i) Expenses of management are apportioned to the insurance revenue statement and statement of comprehensive income in the ratio of gross premiums written and earned investment income.

ii) Employee benefits

Employee benefits are all forms of consideration given by the Company in exchange for service rendered by the employees and include both short term and post-employment benefits.

Short term benefits comprise wages and salaries, bonuses, national insurance contributions, paid annual vacation and sick leave and other non-monetary benefits including group health and group life coverage. They are recognised as a liability, net of payments made and charged as expenses to profit or loss.

The expected cost of accumulating compensated absences for vacation and sick leave not yet taken is measured as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

Post-employment benefits: All full time employees of the Company participate in a Defined Contribution Pension Plan operated by the parent company. The Company's contribution to this plan is charged to profit or loss as incurred.

iii) Other administrative expenses

Other administrative expenses include office, technology, legal and professional fees, advertising and sales promotions, and miscellaneous expenses.

(s) Foreign currencies

Foreign currency transactions during the year are translated at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities in foreign currencies at the reporting date are expressed in Trinidad and Tobago dollars at the exchange rates ruling at that date. Profits and losses thus arising are dealt with in profit or loss.

(t) Taxation

Deferred taxation is provided using the liability method for all temporary differences between the carrying amounts and tax bases of assets and liabilities using current corporation tax rates. The principal temporary differences arise from depreciation of property, plant and equipment, unrealised gains/losses and amounts credited directly to equity.

3. Critical Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty

(a) The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions in the process of applying the Company's accounting policies.

These are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and are reviewed on an ongoing basis. Actual results could differ from those estimates.

Changes in accounting estimates are recognised in profit or loss in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

(b) Critical judgements

The critical judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

i) Whether investments are classified as financial assets at fair value through profit or loss, at fair value through other comprehensive income or financial assets at amortised cost.

ii) Measurement of the expected credit loss allowance.

iii) Whether land and buildings are classified as land development, investment properties or owner occupied properties.

iv) Which depreciation method for property, plant and equipment is used.

v) Whether policy contracts issued are classified as insurance contracts or investment contracts.

vi) When insurance premiums are recognised in profit or loss.

(c) Key assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date (requiring management's most difficult, subjective or complex judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

i) Fair values

The fair values of financial assets are based on quoted market prices for specific or similar instruments.

The fair values of land and buildings are based on independent professional open market valuations.

ii) Measurement of the expected credit loss allowance - IFRS 9

The measurement of impairment losses under IFRS 9 requires the use of complex models and requires significant assumptions. A number of significant accounting judgements and estimates were required for the ECL model, these include:

- The Company's internal credit rating model, as this was used in calculating Probability of Default (PD);

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3. Critical Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty (continued)

(c) Key assumptions (continued)

- The estimation of the present value of collateral values when determining impairment losses;
- Determining criteria for assessing if there has been a significant increase in credit risk; and
- Development of ECL models, including the various formulae.

(iii) Business Model Assessment

Classification and measurement of financial assets depends on the results of the SPPI and business model assessment. The Company determines the business model at a level that reflects how financials assets are managed together to achieve the business objectives. An assessment is made at a portfolio level and is based on factors such as:

- How information about financial assets and their performance is reported and evaluated by the entity's key management personnel; and
- Management's identification of and response to the risks that affect the performance of the business model.

iv) Property, plant and equipment

Management exercises judgement in determining whether future economic benefits can be derived from expenditures to be capitalised and the useful lives and residual values of these assets.

v) Insurance contracts liabilities

Management estimates the cost of claims incurred but not settled at the year-end date and claims incurred but not reported until after the year-end date, based on input from adjustors and past claims development experience. Estimates are also made for unexpired risks, calculated as a percentage of unearned premiums. The estimates are reviewed for adequacy on an ongoing basis and the provisions are adjusted accordingly.

4. Current Assets

	2021 $'000	2020 $'000
Cash and bank balances	27,005	35,890
Short term investments	-	8,453
Accounts receivable	10,595	10,183
Reinsurance assets	54,314	93,971
	91,914	**148,497**

(a) Short term investments

	2021 $'000	2020 $'000
Fixed Deposits	-	8,453

(b) Accounts receivable

	2021 $'000	2020 $'000
Accrued investment income	3,781	3,625
Brokers and agents balances	12,943	10,666
Other receivables	23	2,575
	16,747	16,866
Less: Impairment provision	(6,152)	(6,683)
	10,595	10,183

(c) Impairment provision

	2021 $'000	2020 $'000
Balance brought forward	6,683	4,412
Provision for the year	(1,090)	1,979
Write offs	559	292
	6,152	6,683

(d) Brokers and agents balances – aged analysis

	2021 $'000	2020 $'000
Up to 30 days	3,780	4,085
31 to 45 days	1,533	1,356
Over 45 days	7,630	5,225
	12,943	10,666

(e) Reinsurance assets

	2021 $'000	2020 $'000
Amount due from reinsurers	889	889
Reinsurers share of:		
Outstanding claims	24,497	49,451
Claims incurred but not reported	4,899	9,890
Unearned premiums	22,353	31,387
Unexpired risks	1,676	2,354
	53,425	93,082
Total	**54,314**	**93,971**

(f) Reconciliation of changes in reinsurance assets

	2021 $'000	2020 $'000
Amount due from reinsurers		
Balance brought forward	889	899
Recoverable for the year	2,533	13,046
Payments received during the year	(2,533)	(13,046)
Balance carried forward	889	889
Other amounts		
Balance brought forward	93,082	74,663
Increase/(decrease) in:		
Outstanding claims	(24,954)	11,752
Claims incurred but not reported	(4,991)	2,350
Unearned premiums	(9,034)	4,016
Unexpired risks	(678)	301
Balance carried forward	53,425	93,082
Total	**54,314**	**93,971**

5. Investment in Fellow Subsidiaries

	2021 $'000	2020 $'000
Shares at cost	**33,000**	**33,000**
	% Shareholding	% Shareholding
Development Finance Limited Term lenders and equity investors in small and medium sized private industrial and commercial enterprises in the Caribbean	33.17	33.17
Maritime Residences Limited Development, trade and rental of newly constructed dwelling houses	25.00	25.00

6. Financial assets

	2021 $'000	2020 $'000
Fair value through profit or loss	30,084	19,757
Fair value through other comprehensive income	19,235	-
Amortised cost	324,847	319,129
Total	**374,166**	**338,886**

(a) Fair values

i) By financial asset classification

	2021	2020
Fair value through profit or loss	30,084	19,757
Fair value through other comprehensive income	19,235	-
Amortised cost	341,012	337,716
	390,331	357,473

ii) By level of hierarchy

	2021	2020
Level 1	120,270	98,078
Level 2	258,335	247,348
Level 3	11,726	12,047
	390,331	357,473

(b) Concentration

	2021	2020
Government/government guaranteed bonds	190,302	169,718
State enterprises bonds	33,449	32,345
Financial institutions bonds	76,728	92,170
Other corporate bonds	24,368	24,896
	324,847	319,129
Equities	49,319	19,757
	374,166	338,886

(c) Amortised cost

	2021	2020
Amortised cost	326,082	320,272
Less: Expected credit loss allowance	(1,235)	(1,143)
	324,847	**319,129**

(d) Expected credit loss allowance

	2021	2020
Balance brought forward	1,143	863
Re-measurement of expected credit losses	92	280
	1,235	**1,143**

7. Investment Properties

	2021	2020
At beginning of year	10,200	10,200
Transfer from property, plant and equipment	7,117	-
Fair value gains	1,583	-
	18,900	**10,200**

8. Property, Plant and Equipment

	Properties $'000	Furniture/ Equipment $'000	Motor Vehicles $'000	Total 2021 $'000	Total 2020 $'000
Cost/Valuation					
At beginning of year	31,250	11,333	2,728	45,311	44,063
Additions	-	351	-	351	98
Transfer to investment property	(7,500)			(7,500)	
Revaluation	-	-	-	-	1,150
At end of year	23,750	11,684	2,728	38,162	45,311
Accumulated Depreciation					
At beginning of year	422	9,152	1,989	11,563	10,458
Charge for the year	460	702	351	1,513	1,769
Transfer to investment property	(383)	-	-	(383)	-
Revaluation	-	-	-	-	(664)
At end of year	499	9,854	2,340	12,693	11,563
Net book value	**23,251**	**1,830**	**388**	**25,469**	**33,748**

9. Current Liabilities

	2021 $'000	2020 $'000
Accounts payable and accruals	15,927	13,453
Amount due to group companies	1,712	90
Provision for employee benefits	2,022	2,371
Premium suspense	1,120	1,736
Reinsurance liabilities	6,030	11,504
Taxation payable	2,972	785
	29,783	**29,939**

9. Current Liabilities (continued)

(a) Reinsurance liabilities

	2021 $'000	2020 $'000
Balance brought forward	11,504	12,673
Premiums ceded for the year	75,382	84,427
Payments during the year	(80,856)	(85,596)
Balance carried forward	6,030	11,504

10. Insurance Contracts Liabilities

	2021	2020
Provisions for outstanding claims	119,592	144,898
Provisions for claims incurred but not reported	23,919	28,979
Provisions for unearned premiums	68,764	77,029
Provisions for unexpired risks	5,157	5,777
	217,432	**256,683**

(a) Reconciliation of changes for the year

	2021	2020
Balance brought forward	256,683	241,083
Change in reserves	827	(1,044)
Change in claims	(421)	(1.775)
Change in reinsurance assets	(39,657)	18,419
	217,432	256,683

(b) Net insurance contracts liabilities

	2021	2020
Insurance contracts	217,432	256,683
Less: Reinsurance assets (Note 4(e))	(53,425)	(93,082)
	164,007	163,601
Represents		
Provisions for outstanding claims	95,095	95,447
Provisions for claims incurred but not reported	19,020	19,089
Provisions for unearned premiums	46,411	45,642
Provisions for unexpired risks	3,481	3,423
	164,007	163,601

(c) Concentration by lines of business

	2021	2020
Property	3,145	3,773
Motor	137,088	136,497
Liability	22,799	18,260
Marine	559	4,849
Pecuniary loss	416	222
Personal accident	-	-
	164,007	163,601

(d) Provision for outstanding claims

	2021	2020
Balance brought forward	144,898	134,625
Claims incurred for the year	32,432	38,665
Reinsurance assets	(24,954)	11,752
Payments made during the year	(32,784)	(40,144)
Balance carried forward	119,592	144,898

(e) Aged analysis of outstanding claims

	2021	2020
2017 and prior	46,675	65,041
2018	12,105	10,376
2019	13,297	12,603
2020	25,940	56,878
2021	21,575	-
	119,592	144,898

11. Borrowings

	2021	2020
Balance brought forward	7,917	12,025
Loan received/(repayments) (net)	10,307	(4,127)
Foreign exchange gain	6	19
Balance carried forward	**18,230**	**7,917**

This loan bears interest at an effective rate of 3.75% (2020: fixed at 7%) per annum, is repayable by forty-eight (2020: twenty-one) equal monthly blended payments of principal and interest and is secured by Republic of Trinidad and Tobago government bonds with a face value of TT $21,000,000.

12. Stated Capital

Authorised
An unlimited number of ordinary shares of no par value.

Issued and fully paid
4,965,000 ordinary shares of no par value.

13. Statutory Surplus Reserve

The statutory surplus reserve which was required by Section 171 of the Insurance Act 1980 was transferred to Retained Earnings.

14. Catastrophe Reserve

Section 44 of the Insurance Act 2018 require every insurer carrying on property insurance business to establish and maintain at all times in respect of catastrophe risks, a Catastrophe Reserve Fund, and at the end of each financial year, to make an appropriation from its retained earnings to the Catastrophe Reserve Fund in an amount not less than twenty percent of its net written premium income in relation to its property insurance business for that year until the Catastrophe Reserve Fund is equal to, or exceeds the net written premium income in relation to its property insurance business for that year.

14. Catastrophe Reserve (continued)

Under Section 10D of the Corporation Taxes Act contributions to the catastrophe reserve fund up to a maximum of 20% of net premium income on property business and consequential losses is allowed as a deduction in computing chargeable income.

15. General Reserve

The general reserve represents appropriations of retained earnings for any possible unforeseen losses on financial assets for which alternative specific provision is not made.

16. Capital Reserve

Capital reserve comprises surpluses arising on revaluation of owner-occupied properties.

17. Investment Revaluation Reserve

The investment revaluation reserve represents unrealised gains and losses arising from changes in fair value of financial assets at fair value through other comprehensive income.

18. Investment Income (net)

	2021 $'000	2020 $'000
Interest income	11,539	16,977
Dividends	981	637
Gains/(losses) (net)	6,631	(3,681)
Other income	-	5
	19,151	13,938
Less: Expenses of management (Note 20)	(3,854)	(2,099)
Less: Expected credit losses on financial assets	(92)	(280)
	15,205	**11,559**

(a) Interest income

	2021	2020
Cash and cash equivalents	1	46
Amortised cost	11,538	16,931
	11,539	16,977

(b) Gains/(losses)

	2021	2020
Fair value through profit or loss	5,061	(2,027)
Amortised cost	(13)	(1,654)
Investment properties	1,583	-
	6,631	(3,681)

19. Taxation

	2021	2020
Current year	4,783	9,346
Prior year	(723)	-
	4,060	**9,346**

Reconciliation

Income taxes in the Statement of Comprehensive Income vary from amounts that would be computed by applying the statutory tax rate for the following reasons:

	2021 $'000	2020 $'000
Accounting profit	25,414	28,314
Tax at applicable statutory tax rates	7,625	8,495
Tax exempt income	(3,597)	(134)
Expenses not deductible	51	51
Temporary differences	257	315
Other	(624)	270
	3,712	8,997
Green Fund Levy	348	349
	4,060	9,346

20. Expenses of Management (net)

	2021	2020
Employee benefits	10,538	10,047
Depreciation (net)	1,513	1,769
Bad debts	(1,090)	1,979
Other administrative expenses	19,543	14,164
	30,504	27,959
Less: Allocated to investment income (Note 18)	(3,854)	(2,099)
	26,650	**25,860**
Pension fund contributions included in employee benefits	367	398

21. Related Party Transactions

Related party transactions are transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

Related parties include: persons, or a close member of that person's family, who has control, joint control, or significant influence over the Company, including members of the key management personnel; the parent company; fellow subsidiaries (Note 5), any associated company and joint venture partners and the parent company's post employment benefit plan for the employees of the company.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the company.

21. Related Party Transactions (continued)

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and conditions at market rates.

Balances and transactions with related parties during the year were as follows:

	2021 $'000	2020 $'000
(a) Parent company		
Amounts due to - unsecured	(45)	(90)
Income	906	940
Expenses	7.666	7,596
Dividends paid	12,413	12,413
(b) Fellow subsidiaries		
Amounts due to unsecured	(1,667)	-
Investments in stated capital	33,000	33,000
Financial assets	38,616	38,786
Accrued investment income	160	171
Income	1,857	1,736
Expenses	5,000	-
(c) Post employment benefit plan		
Pension contributions	367	398
(d) Key management compensation		
Short term benefits	967	881
Post employment benefits	29	29
	996	910

22. Capital Commitments

There were no capital commitments at December 31, 2021 (2020: NIL)

23. Assets Pledged – Statutory Deposit, Statutory Fund and Catastrophe Reserve Fund

The fair value of assets deposited with and/or pledged to the order of the Inspector of Financial Institutions under the provisions of the Insurance Act, 1980 as at December 31, 2020 amounted to $220.738 million.

Effective January 1, 2021 pursuant to the proclamation of the Insurance Act, 2018, local insurance companies, are no longer required to pledge assets to the order of the Central Bank of Trinidad and Tobago for the purposes of the statutory fund, the statutory deposit and the catastrophe reserve fund as previously required under the Insurance Act, 1980.

Section 83 of the Insurance Act 2018 requires insurance companies to maintain adequate capital and to maintain and hold adequate assets to support its liabilities to its Trinidad and Tobago policyholders.

24. Insurance Contracts – Assumptions, Changes in Assumptions and Sensitivity

(a) The most significant liability arising from insurance contracts is the provisions for outstanding claims. These provisions are determined using input from loss adjusters and past experience. To this is added provisions made for claims and claims expenses incurred but not reported until after the year-end date. These provisions cannot be determined with certainty because of the substantial delay between the occurrences, reporting and final settlement of the claims. They are reviewed and amended on an ongoing basis as new information becomes available, claims are settled and new claims reported.

Experience and industry information is used to assess the impact of external factors such as legislative changes, judicial decisions and technological changes. The claims reserves are sensitive to these assumptions.

(b) Claims development

Underwriting year	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	Total $'000
Estimate of cumulative claims						
At end of year	54,429	77,329	50,210	77,545	39,241	298,754
One year later	55,996	69,374	49,198	53,709		
Two years later	53,486	54,678	51,538			
Three years later	51,953	56,837				
Four years later	50,975					
Estimate of cumulative claims	**50,975**	**56,837**	**51,538**	**53,709**	**39,241**	**252,300**
Cumulative payments	(41,530)	(44,732)	(38,241)	(27,769)	(17,666)	(169,938)
Claims outstanding	**9,445**	**12,105**	**13,297**	**25,940**	**21,575**	**82,362**
Liability in respect of prior years						**37,230**
Total Liability						**119,592**

25. Insurance Risk

The Company is involved in underwriting, pricing and accepting various kinds of risks in exchange for premiums. The insurance contract gives rise to the traditional insurance risk, which is the uncertainty that an insured event will occur resulting in financial consequences covered by the insurance contract, in addition to regulatory, legal and pricing risk. Regulatory risk is associated with the potential of laws, directives and guidelines affecting the insurance industry to change and impact the insurance operations. Legal risk arises out of the costs associated with a possible dispute over policy terms and conditions, subrogation and any other legal matter arising from the insurance contract. Pricing risk is the possibility that the premiums paid for the transfer of various risks are not sufficient.

25. Insurance Risk (continued)

(a) Underwriting

Premiums are calculated on the basis of the client, company and the industry experience with particular types of risks. Material losses arise from low frequency, high severity events such as catastrophes, major fires and motor liability claims.

The objective of risk management of insurance contracts is to properly identify, assess, control, evaluate and price all risks so as to increase stakeholder value.

As part of the Company's enterprise risk management strategy, risks are managed through the underwriting processes, claims management, reinsurance, diversification among various products, asset liability management and actuarial consultation.

The principal area of risk management begins in the underwriting process. Underwriting is the entire process that entails selecting policyholders by recognising and evaluating hazards, establishing prices and determining policy terms and conditions. The underwriting process is continually reviewed as it is at this stage that the Company determines if a risk will be accepted, rejected, or modified.

For various product lines the Company has underwriting guidelines that are followed by staff underwriters as well as agents that have been authorised to bind coverage. The underwriting guidelines are reviewed annually.

(b) Reinsurance

The Company relies on a significant amount of reinsurance. Reinsurance is used as a risk transfer mechanism, to smooth the Company's loss experience and to provide for large line capacity, catastrophe protection and underwriting guidance.

Because some risk exposures can be very large in nature, the Company utilises reinsurance to accept the liability for loss exposures that the Company is unwilling or unable to retain. Reinsurance allows the Company to increase its market share while limiting the financial consequences of potential losses. Further, the Company insures various property and motor exposures that are subject to earthquakes and windstorms. The Company purchases excess of loss insurance to mitigate the losses of these catastrophic events. The Company also utilizes the reinsurers for underwriting assistance, claims management, and overall guidance.

Reinsurers are selected based on their track record and capability to meet their contractual obligations. In addition, the ratings assigned to reinsurers by the international rating agencies such as A.M. Best and Standard and Poors are used in determining whether or not reinsurers are acceptable. These ratings are monitored on an ongoing basis.

(c) Concentration of insurance risk

i) The Company carries significant exposure on the various lines of business written, with the most significant being the motor and property lines.

ii) Sums insured

	2021 $'000	2020 $'000
Gross	14,178,672	13,893,358
Less: Reinsurance	9,932,568	9,092,092
	4,246,104	**4,801,266**

26. Financial Risk

(a) Enterprise risk management

The Company is a part of an overall Group strategy to move away from traditional risk management to enterprise risk management (ERM) for the Group, whereby each company not only assesses, controls, exploits, finances, and monitors risks from all sources affecting the Company for the purpose of increasing stakeholder value, but also within the context of the Group as a whole. This holistic approach allows the Company to mitigate risk and create value. In essence, the Company can increase stakeholder value while maintaining an acceptable level of risk to stakeholders. The Company is exposed to financial risk including credit risk, liquidity risk, currency risk, interest rate risk and price risk. In particular, the key financial risk is that proceeds from its financial and reinsurance assets are not sufficient to fund obligations arising from insurance contracts and financial liabilities. As a part of the ERM strategy the Company identifies and evaluates all risks in the context of one another as opposed to distinct risks.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company is exposed to credit risk mainly on its short term investments, accounts receivable, reinsurance assets and investments.

i) Short term investments

The credit risk on short term investments is limited because the funds are invested in deposits with licensed banks and financial institutions and in treasury bills.

ii) Accounts receivable

Accounts receivable are stated at amounts outstanding less impairment provisions. Adequate provisions have been made for any uncollectible amounts.

iii) Reinsurance assets

The Company reduces its credit risk associated with reinsurance assets by entering into treaty agreements only with reinsurers who have acceptable credit ratings.

iv) Bonds

The Company invests in bonds issued only by governments, state enterprises, licensed financial institutions and corporations with acceptable credit ratings. The Company actively reviews all bond-issuing entities in which investments are being considered. The Company also limits the size of any given bond issue compared to the size of its investment portfolio.

v) Concentration

The Company has set an upper limit of total assets that can be invested with any one company or group of related companies so as to avoid any significant concentration of credit risk.

26. Financial Risk (continued)

(b) Credit risk (continued)

vi) Global economic developments and government policies

The Company actively monitors global economic developments and government policies that may affect the growth rate of the local economy.

vii) Credit Risk Ratings and Probability of Default (PD) estimations

For debt securities in our investment portfolios, external credit rating agency credit grades are used. These published grades are continuously monitored and updated. The PDs associated with each grade are determined based on realized default over the prior 12 months as published by the rating agency.

viii) Significant increase in credit risk

In order to determine whether a financial asset or portfolio of financial assets are subject to 12 month ECL or lifetime ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. Whether the risk of default on a financial instrument has increased significantly, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and credit assessment.

ix) Maximum exposure to credit risk

The Company's maximum exposure to credit risk without taking account of any collateral held or other credit enhancements is as follows:

	2021 $'000	2020 $'000
Maximum exposure to credit risk	**416,745**	**467,604**

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company is exposed to daily calls on its available cash resources to settle trade, financial and insurance liabilities.

i) Risk management

The Company operates in an environment which has a large degree of liquidity exposures. The Company maintains a conservative amount of short term investments in order to mitigate liquidity risk. The Company through its asset liability committee actively manages asset and liability cash flows to reduce any mismatches. The asset liability committee engages in a balanced liquidity management strategy, which relies on both an asset conversion strategy and borrowed liquidity strategy to cover anticipated demands in liquidity.

ii) Liquidity gap

The Company's exposure to liquidity risk is summarised in the table below which analyses assets and liabilities by relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

2021

	Up to one year $'000	Two to five years $'000	Over five years $'000	Undated $'000	Total $'000
Assets					
Liquid assets	27,005	-	-	-	27,005
Financial assets	40,405	132,028	152,414	49,319	374,166
Other assets	64,909	-	-	77,369	142,278
	132,319	**132,028**	**152,414**	**126,688**	**543,449**
Liabilities					
Current liabilities	29,783	-	-	-	29,783
Insurance contracts	217,391	41	-	-	217,432
Borrowings	4,306	13,924	-	-	18,230
	251,480	**13,965**	**-**	**-**	**265,445**
Net Gap	**(119,161)**	**118,063**	**152,414**	**126,688**	**278,004**
Cumulative Gap	**(119,161)**	**(1,098)**	**151,316**	**278,004**	**-**

2020

	Up to one year $'000	Two to five years $'000	Over five years $'000	Undated $'000	Total $'000
Assets					
Liquid assets	44,343	-	-	-	44,343
Financial assets	24,476	127,386	167,267	19,757	338,886
Other assets	104,154	-	-	76,948	181,102
	172,973	**127,386**	**167,267**	**96,705**	**564,331**
Liabilities					
Current liabilities	29,939	-	-	-	29,939
Insurance contracts	256,638	45	-	-	256,683
Borrowings	4,405	3,512	-	-	7,917
	290,982	**3,557**	**-**	**-**	**294,539**
Net Gap	**(118,009)**	**123,829**	**167,267**	**96,705**	**269,792**
Cumulative Gap	**(118,009)**	**(5,820)**	**173,087**	**269,792**	**-**

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk.

(e) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

26. Financial Risk (continued)

(e) Currency risk (continued)

The Company operates primarily in the Republic of Trinidad and Tobago. Most of the Company's liabilities are denominated in local currency and are matched with local assets. The strategy for dealing with foreign exchange risk is to as far as possible offset foreign currency liabilities with assets denominated in the same currency.

Due to the unavailability of foreign exchange from the local banking system, the Company holds foreign currency assets for investment purposes and to settle obligations in foreign currencies.

The Company's net exposure to currency risk is as follows:

	2021 $'000	2020 $'000
United States Dollars	154,646	135,643
Canadian Dollars	8,833	4,713
	163,479	140,356

(f) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities, including short term investments, investments in bonds and bank overdraft.

i) Risk management

Exposure is managed using interest rate sensitivity management.

In the Republic of Trinidad and Tobago, the availability of creative hedging strategies is greatly limited. Therefore, the Company attempts to maintain a well-balanced portfolio matched to the types of liabilities held.

ii) Short term investments

The short maturities of these investments allow the Company to take advantage of rising interest rates. However, the Company is exposed to falling interest rates. As part of a well-balanced portfolio, if interest rates decrease, the increase in value of the bond portfolio will reduce the negative effect of the reduction in interest rate.

iii) Bonds

The Company invests mainly in medium to long term bonds consisting of both floating rate and fixed rate instruments.

The market values of the floating rate bonds are not very sensitive to changes in interest rates. The market values of the fixed rate bonds are sensitive to changes in interest rates. The longer the maturity of the bonds, the greater is the sensitivity to changes in interest rates. Because these assets are being held to maturity and are not traded, any changes in market value will not impact profit or loss.

The Company actively monitors bonds with maturities greater than ten years, as well as the interest rate policies of the Central Bank of Trinidad and Tobago.

iv) Interest rate sensitivity gap

The Company's exposure to interest rate risk is summarised in the table below which analyses assets and liabilities at their carrying amounts categorised by the earlier of contractual re-pricing or maturity dates.

2021

	Up to one year $'000	Two to five years $'000	Over five years $'000	Non-Interest bearing $'000	Total $'000
Assets					
Liquid assets	27,005	-	-	-	27,005
Financial assets	41,984	131,245	151,618	49,319	374,166
Other assets	-	-	-	142,278	142,278
	68,989	131,245	151,618	191,597	543,449
Liabilities					
Current liabilities	-	-	-	29,783	29,783
Insurance contracts	-	-	-	217,432	217,432
Borrowings	18,230	-	-	-	18,230
	18,230	-	-	247,215	265,445
Net Gap	50,759	131,245	151,618	(55,618)	278,004
Cumulative Gap	50,759	182,004	333,622	278,004	-

2020

	Up to one year $'000	Two to five years $'000	Over five years $'000	Non-Interest bearing $'000	Total $'000
Assets					
Liquid assets	44,343	-	-	-	44,343
Financial assets	24,561	137,215	157,353	19,757	338,886
Other assets	-	-	-	181,102	181,102
	68,904	137,215	157,353	200,859	564,331
Liabilities					
Current liabilities	-	-	-	29,939	29,939
Insurance contracts	-	-	-	256,683	256,683
Borrowings	4,405	3,512	-	-	7,917
	4,405	3,512	-	286,622	294,539
Net Gap	64,499	133,703	157,353	(85,763)	269,792
Cumulative Gap	64,499	198,202	355,555	269,792	-

26. Financial Risk (continued)

(g) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (equity and commodity prices) whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market.

i) Equity price risk

The Company is exposed to equity price risk on its investments in equity instruments classified as financial assets at fair value through profit or loss and fair value other comprehensive income.

Most of these investments are listed on the Trinidad and Tobago Stock Exchange. The Company actively reviews the financial performance, future growth potential and economic environment before investing in any equities.

The Company manages its exposure to price risk by trading these investments to reduce the impact of any adverse price movements.

The Company's total exposure to investments in equity instruments is as follows:

	2021 $'000	2020 $'000
Fair value through profit or loss	30,084	19,757
Fair value through other comprehensive income	19,235	-
Fellow subsidiaries	33,000	33,000
	82,319	52,757

ii) Commodity price risk

The Company is not exposed to commodity price risk.

27. Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The existence of published price quotation in an active market is the best evidence of fair value. Where market prices are not available, fair values are estimated using various valuation techniques, including using recent arm's length market transactions between knowledgeable, willing parties, if available, current fair value of another financial instrument that is substantially the same and discounted cash flow analysis.

The Company measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Valuation techniques using significant unobservable inputs.

The following methods have been used to estimate the fair values of various classes of financial instruments:

i) Current assets and current liabilities

The carrying amounts of current assets and current liabilities are a reasonable approximation of the fair values because of their short-term nature.

ii) Quoted securities

The fair values of quoted securities are determined on the basis of quoted market prices available at December 31, 2021.

iii) Unquoted securities

The fair values of unquoted securities are determined using various valuation techniques. Unquoted securities are stated at cost less accumulated impairment provisions.

28. Capital Risk Management

The Company manages its capital to ensure that it:

- Complies with the regulatory capital requirements as required by the Insurance Act 2018 and Capital Adequacy Regulations
- Continues as a going concern
- Maintains a strong capital base to support the development of its business
- Maximizes the return to shareholders relative to the considerations above.

The capital structure of the Company consists of equity attributable to shareholders, comprising issued capital, reserves and retained earnings.

The Insurance Act 2018 and Capital Adequacy Regulations require every insurer to: maintain adequate capital, and adequate and appropriate forms of liquidity to support its risk profile and business: maintain the minimum Net Tier 1 Ratio of 105%; and the Regulatory Capital Ratio of 150%; have a minimum stated capital of $15 million and to maintain and hold adequate assets to support its liabilities to its Trinidad and Tobago policyholders.

The Company proposes to increase its stated capital from $4.965 million as at December 31, 2021 to $15 million, by capitalizing $10.035 million from retained earnings.

The Company calculates and reports the capital adequacy ratios to the Regulators, Executive Management and the Board of Directors on a quarterly basis. The

28. Capital Risk Management (continued)

Company also seeks to maintain capital adequacy at levels higher than the minimum regulatory requirements.

For the years ended December 31, 2021 and 2020, the Company has complied with all the regulatory requirements to which it is subject.

29. Contingent Liabilities

(a) During the period March to June 2002 a number of charges were preferred against the Company and others. These charges refer to offences which are alleged to have taken place between 1st July 1996 and 21st December 2000. The defendants in this matter are presently appealing a decision of the presiding Magistrate to commit them for trial after discharging them. This appeal was heard by the Judicial Committee of the Privy Council on 16th March 2022. The attorneys acting on behalf of defendants remain positive for a successful outcome in this matter.

(b) On 20th May 2004 the Company along with others were charged with the offence of conspiring with other persons to obtain contracts and payments contrary to section 34 of the Larceny Act, Chapter 11:12. The Company's attorneys have always advised that this is not an offence known in law. On 23rd February 2005, four additional charges were preferred against the Company and others. Those charges each alleged a conspiracy to defraud contrary to common law. In relation to these charges, in April 2011, the Prosecution informed the Court that they would not be proceeding with a number of charges. These proceedings are ongoing and are still at the stage of a preliminary inquiry. It is the unanimous view of all of the attorneys in the matter that the Prosecution have not made out, and cannot make the crucial elements of the offences charged, and further that the proceedings are baseless and should be dismissed.

(c) Regardless of the outcome of all of these proceedings, the interests of policyholders are adequately protected under the Insurance Act 2018.

(d) No provision has been made in these financial statements in respect to any of the alleged charges. Legal fees in connection with these matters are expensed as incurred.

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