TATIL LIFE ASSURANCE LIMITED
FINANCIAL STATEMENTS
31 DECEMBER 2021

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF TATIL LIFE ASSURANCE LIMITED

Report on the Audit of the Financial Statements Opinion

We have audited the financial statements of Tatil Life Assurance Limited ("the Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of income, statement of comprehensive income, 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 31 December 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 *Auditor's 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' (IESBA) International Code of Ethics for Professional Accountants (including the International Independence Standards) ("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.

Responsibilities of Management and the Audit Committee 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 Audit Committee is responsible for overseeing the Company's financial reporting process.

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 auditor's 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 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 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 auditor's 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 auditor's 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 Audit Committee 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.

EY

Port of Spain,
TRINIDAD:
22 March 2022

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021 • Expressed in thousands of Trinidad and Tobago Dollars

	Notes	2021	2020
Assets			
Cash and short-term funds	4	348,029	478,812
Fixed deposits		45,453	44,200
Interest receivable		8,514	11,753
Other debtors and prepayments	5	8,345	7,491
Right-of-use assets	6	5,729	9,021
Investment securities	7	2,084,084	1,728,693
Loans and advances	9	214,359	207,350
Insurance receivables	10	7,553	9,616
Reinsurance asset	11 & 19	17,368	15,549
Taxation recoverable		183	162
Investment properties	12	25,650	29,210
Property and equipment	13	1,500	1,921
Intangible assets	14	14,524	131
Deferred tax asset	15	1,749	2,483
Employee benefit asset	16	65,429	57,113
Total assets		2,848,469	2,603,505
Liabilities			
Other payables	17	19,215	19,840
Taxation payable		34	41
Lease liabilities	6	6,033	9,391
Deferred tax liability	15	137,950	104,230
Employee benefit obligation	16	2,951	2,808
Investment contract liabilities	18	273,901	265,923
Insurance contract liabilities	19	1,377,122	1,294,548
Total liabilities		1,817,206	1,696,781
Equity			
Stated capital	20	62,970	62,970
Life surplus account		968,293	843,754
Total equity		1,031,263	906,724
Total liabilities and equity		2,848,469	2,603,505

The accompanying notes form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 22 March 2022 and signed on its behalf by:

Ray A. Sumairsingh	M. Musa Ibrahim
Chairman	**Managing Director**

STATEMENT OF INCOME

For the Year ended 31 December 2021 • Expressed in thousands of Trinidad and Tobago Dollars

	Notes	2021	2020
Gross earned premiums on insurance contracts	19	194,726	204,567
Reinsurer's share of gross earned premiums on insurance contracts	19	(15,448)	(14,481)
Net insurance revenue		179,278	190,086
Investment income	21	241,832	60,343
Other income	22	15,299	14,562
Total revenue		436,409	264,991
Gross insurance contract benefits and claims paid	23	(122,057)	(116,004)
Reinsurer's share of gross insurance contract benefits and claims paid		5,861	6,001
Gross change in insurance contract liabilities		(95,844)	(87,896)
Reinsurer's share of gross insurance contract liabilities		1,819	1,773
Net insurance benefits and claims		(210,221)	(196,126)
Interest charged on investment contracts	18	(11,783)	(11,594)
General administrative and selling expenses	24	(56,850)	(55,433)
Total expenses		(278,854)	(263,153)
Net profit before taxation		157,555	1,838
Taxation (expense)/credit	25	(25,787)	2,793
Net profit for the year after taxation		131,768	4,631

The accompanying notes form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31 December 2021 • Expressed in thousands of Trinidad and Tobago Dollars

	Notes	2021	2020
Net profit after taxation		131,768	4,631
Other comprehensive income/(loss)			
Other comprehensive (loss)/income not to be reclassified to the statement of income in subsequent periods:			
Re-measurement gains/ (losses) on defined benefit plans	16	6,118	(593)
Income tax related to above		(1,530)	147
Total comprehensive income for the year		136,356	4,185

Note - There are no items that may be classified to the statement of income in the subsequent periods.

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 December 2021 • Expressed in thousands of Trinidad and Tobago Dollars

	Note	Stated capital	Life surplus account	Total
Balance as at 1 January 2020		62,970	839,527	902,497
Total comprehensive income		–	4,185	4,185
Other life insurance reserve movements	15	–	42	42
Balance as at 31 December 2020		62,970	843,754	906,724
Total comprehensive income		–	136,356	136,356
Other life insurance reserve movements	15	–	(11,817)	(11,817)
Balance as at 31 December 2021		62,970	968,293	1,031,263

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the Year ended 31 December 2021 • Expressed in thousands of Trinidad and Tobago Dollars

	Notes	2021	2020
Cash flows from operating activities			
Profit before taxation		157,555	1,838
Adjustments to reconcile net profit to net cash generated from operating activities:			
Depreciation	6 & 13	4,873	4,891
Amortisation of intangible assets	14	16	16
Impairment (write-back)/expense	24	(4,908)	1,234
Net (gain)/loss on revaluation of investments		(139,110)	32,296
Loss on revaluation of investment property	12 & 24	3,910	–
Loss on disposal of property and equipment		12	11
Gain on sale of investments	21	(14,267)	(1,841)
Loss on foreign exchange		381	1,717
Gain on employee benefits	16	(871)	(1,050)
Operating profit before working capital changes		7,591	39,112
Decrease in other receivables		4,178	247
Decrease in other payables		(625)	(2,790)
Net taxes paid		(4,709)	(6,072)
Net change in investment and insurance contracts		88,733	86,851
Net cash generated from operating activities		95,168	117,348
Cash flows from investing activities			
Purchase of property and equipment	13	(353)	(898)
Purchase of intangibles	14	(14,409)	–
Additions to investment property	12	(350)	(5)
Purchase of investments and fixed deposits		(935,513)	(241,365)
Sale/repayments of investments and fixed deposits		735,995	476,372
Net increase in loans and advances		(7,245)	(2,671)
Net cash (used in)/generated from investing activities		(221,875)	231,433
Cash flows from financing activities			
Payment of principal portion of lease liabilities		(4,076)	(3,873)
		(4,076)	(3,873)
Net (decrease)/increase in cash and cash equivalents		(130,783)	344,908
Cash and cash equivalents at the beginning of the year		478,812	133,904
Cash and cash equivalents at the end of the year		348,029	478,812
Represented by:			
Cash at bank	4	348,029	478,812
Supplemental information:			
Interest and dividends received		82,172	90,417

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2021 (Expressed in thousands of Trinidad and Tobago dollars)

1. Incorporation and principal activity

Tatil Life Assurance Limited, (the 'Company'), is incorporated and domiciled in the Republic of Trinidad and Tobago and its principal activity is the carrying on of all classes of long-term insurance business. It is a subsidiary of Trinidad and Tobago Insurance Limited, which is owned by ANSA Merchant Bank Limited, whose ultimate parent is ANSA McAL Limited. The Company obtained its Certificate of Continuance under the Company's Act, 1995 on 6 October 1999. Its registered office and principal place of business is located at 11 Maraval Road, Port of Spain.

2. Significant accounting policies

i) Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These financial statements have been prepared on the historical cost basis, except for the measurement at fair value of trading investment securities and investment properties. The financial statements are presented in Trinidad and Tobago Dollars ($) which is the functional currency and all values are rounded to the nearest thousand, except where otherwise indicated.

The Company presents its statement of financial position broadly in order of liquidity. An analysis of recovery or settlement within twelve months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 29 to the financial statements.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses will not be offset in the statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

ii) Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2020 except for the adoption of new standards and interpretations noted below.

New and amended standards and interpretations

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform Phase 2 (effective 1 January 2021)

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. 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).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The amendments are mandatory, with earlier application permitted. These amendments had no impact on the financial statements.

Amendments to IFRS 16 Leases - COVID-19 Related Rent Concessions beyond 30 June 2021 (effective 1 April 2021))

On 28 May 2020, the IASB amended IFRS 16 Leases to provide relief to lessees from applying IFRS 16 guidance on lease modification to rent concessions arising as a direct consequence of the COVID-19 pandemic.

In March 2021, the Board amended the conditions of the practical expedient. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

Following the amendment, the practical expedient now applies to rent concessions occuring as a direct consequence of the COVID-19 pandemic and affects only payments originally due on or before 30 June 2022, once the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- There is no substantive change to other terms and conditions of the lease.

Lessees will apply the practical expedient retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the amendment is first applied. In the reporting period in which a lessee first applies the 2021 amendment, the lessee will not be required to disclose the information required by paragraph 28(f) of IAS 8.

For the Year Ended 31 December 2021 (Expressed in thousands of Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

ii) Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

Amendments to IFRS 16 Leases - COVID-19 Related Rent Concessions beyond 30 June 2021 (effective 1 April 2021)) (continued)

In accordance with paragraph 2 of IFRS 16, a lessee is required to apply the relief consistently to eligible contracts with similar characteristics and in similar circumstances, irrespective of whether the contract became eligible for the practical expedient before or after the amendment.

The company has adopted the practical expedient to all rent concessions that meet the criteria stated above in the financial statements.

These amendments had no impact on the financial statements.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below.

The Company is currently assessing the potential impact of these new standards and interpretations and will adopt them when they become effective.

- Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework - effective 1 January 2022
- Amendments to IAS 16 Property, Plant and Equipment - Proceeds before intended use - effective 1 January 2022
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Costs of fulfilling a contract - effective 1 January 2022
- Amendments to IAS 1 Presentation of Financial Statements - Classification of liabilities as Current or Non-current - effective 1 January 2023
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and errors - Definition of accounting estimates - effective 1 January 2023
- Amendments to IAS 1 and IFRS Practice statement 2 - Disclosure of accounting policies - effective 1 January 2023
- Amendments to IAS 12 Income Taxes - Deferred tax related to assets and liabilities arising from a single transaction - effective 1 January 2023
- IFRS 17 Insurance Contracts - Effective 1 January 2023

Improvements to International Financial Reporting Standards

The annual improvement process of the International Accounting Standards Board deals with non-urgent, but necessary clarifications and amendments to IFRS. The following amendments are applicable to periods beginning on or after 1 January 2022, but have resulted in no material change to the financial statements.

IFRS	Subject of Amendment
IFRS 1-	IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter - effective 1 January 2022
IFRS 9-	IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities - effective 1 January 2022

iii) Cash and short-term funds

Cash and short-term funds are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash on hand and at bank with original contractual maturities of three months or less and subject to insignificant risks of change in value.

Bank overdrafts, should they exist, are disclosed separately under 'liabilities' on the statement of financial position. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

iv) Financial instruments

Financial assets

a) *Initial recognition and subsequent measurement*

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Amortised cost and effective interest method

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at fair value through the statement of income on initial recognition):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding, (the SPPI test)

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost. Interest income is recognised in the statement of income and is included in Note 21.

Financial assets at fair value through statement of income (FVSI)

Investments in equity instruments are classified as FVSI, unless the Company designates an investment that is not held for trading as fair value through other comprehensive income (FVOCI) on initial recognition. The Company has designated all investments in equity instruments that are held for trading as FVSI on initial application of IFRS 9.

Debt instruments that do not meet the amortised cost criteria are measured as FVSI. In addition, debt instruments that meet the amortised cost criteria but are designated as FVSI are measured at FVSI. A debt instrument may be designated as FVSI upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Debt instruments are reclassified from amortised cost to FVSI when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as FVSI on initial recognition is not allowed. The Company has not designated any debt instrument as FVSI.

Financial assets at FVSI are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in the statement of income. The net gain or loss recognised in the statement of income is included in Note 21. Fair value is determined in the manner described in Note 27.

Interest income on debt instruments as FVSI is included in the net gain or loss described above.

Dividend income on investments in equity instruments at FVSI is recognised in the statement of income when the Company's right to receive the dividends is established in accordance with IFRS 15, 'Revenue from Contracts with Customers' and is included in the net gain or loss described above.

Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Therefore:

- for financial assets that are classified as FVSI, the foreign exchange component is recognised in the statement of income.

For foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the "investment income" line item in the statement of income.

b) *Impairment of financial assets*

Overview of the expected credit loss (ECL) principles

The Company uses the general probability of default approach when calculating ECLs. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Company's policies for determining if there has been a significant increase in credit risk are set out below.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition.

The Company also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility/investment to the watch list, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition. An investment moving to non- investment grade is also considered a significant increase in credit risk.

Calculation of ECLs

When estimating the ECLs, the Company considers among other factors the risk rating category and aging of the financial asset. Each of these is associated with different PDs,

2. Significant accounting policies (continued)

iv) Financial instruments (continued)

Financial assets (continued)

b) Impairment of financial assets (continued)

EADs and LGDs. When relevant, it also incorporates how defaulted financial assets are expected to be recovered, including the value of collateral or the amount that might be received for selling the asset.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

Probability of Default (PD):

The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

Exposure at Default (EAD):

The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

*The EAD rep*resents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

Loss Given Default (LGD):

The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

For investments, the Company primarily relies on international external credit rating agencies to provide data for PDs and LGDs. PDs and LGDs for other financial assets such as loans and advances were derived based on historical loss trends in the portfolios, recoveries, typical collateral and other borrower characteristics.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

Forward looking information

In its ECL models, the Company considers a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Inflation rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The mechanics of the ECL method are summarised below:

Stage 1

The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12 month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the scenarios, as explained above.

Stage 2

When a financial instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3

For financial instruments considered credit-impaired, the Company recognises the lifetime expected credit losses for these financial instruments. The method is similar to that for Stage 2 assets, with the PD set at 100%.

In most instances, LGDs are determined on an investment basis, including discounting the expected cash flows at the original EIR. In limited circumstances within the Company, where portfolios were small and the products homogenous with minimal history of defaults, a simplified ECL approach was applied using historical loss rates. These portfolios included premium receivables, policy loans and advances and reinsurance receivables.

c) *Derecognition of financial assets*

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the statement of income. On derecognition of an equity instrument that is classified as FVOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to the statement of other comprehensive income, but is reclassified to retained earnings. On derecognition of debt instruments at FVOCI, cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to the statement of income.

Financial liabilities

a) Initial recognition and subsequent measurement

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through the statement of income, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge as appropriate.

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value. The Company's financial liabilities includes other payables. The Company has not designated any financial liabilities upon initial recognition as at fair value through statement of income.

b) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

v) Fair value measurement

The Company measures certain financial instruments at fair value at each year end. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 27. 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 principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

With the exception of insurance contracts which are specifically excluded under IFRS 9, 'Financial Instruments' the estimated fair values of certain financial instruments have been determined using available market information or other appropriate valuation methodologies that require judgement in interpreting market data and developing estimates.

Although management is not aware of any factors that would significantly affect the fair value amounts, such amounts have not been comprehensively revalued for the purposes of these financial statements and, therefore, the current estimates of the fair value may be significantly different from the amounts presented herein.

Short-term financial assets and liabilities

The carrying amount of short-term financial assets and liabilities comprising cash and short-term funds, fixed deposits, interest receivable and insurance receivable and other debtors and prepayments, customer deposits and other funding instruments, accrued interest and other payables are a reasonable estimate of their fair values because of the short maturity of these instruments.

Investment securities

The fair value of trading investments is based on market quotations, when available. When market quotations are not readily available, fair values are based on discounted cash flows or estimated using quoted market prices of similar investments. In the absence of a market value, discounted cash flows will approximate fair value. This process relies on available market data to generate a yield curve for each country in which valuations were undertaken, using interpolated results where there were no market observable rates.

In pricing callable bonds, where information is available, the price of a callable bond is determined as at the call date using the yield to worst. For bonds with irregular cash flows (sinking funds, capitalisation of interest, moratoria, amortisations or balloon payments) a process of iteration using the internal rate of return is used to arrive at bond values. Yields on all tax-free bonds are grossed-up to correspond to similar taxable bonds at the prevailing rate of corporation tax.

Loans and advances

The estimated fair value for performing loans is computed as the future cash flows discounted and the yield to maturity based on the carrying values at the inherent rates of

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2021 (Expressed in thousands of Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

v) Fair value measurement (continued)

Loans and advances (continued)

interest in the portfolio as those rates approximate market conditions. When discounted, the cash flow values are equal to the carrying value.

Determination of fair value and fair value hierarchies

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1

Included in the Level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Included in the Level 2 category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Company's own models whereby the majority of assumptions are market observable.

Level 3

Included in the Level 3 category are financial assets and liabilities that are not quoted as there are no active markets to determine a price. These financial instruments are held at cost, being the fair value of the consideration paid for the acquisition of the investment, and are regularly assessed for impairment.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

vi) Premium receivables

Premium receivables are recognised when due. The carrying value of premium receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income.

vii) Reinsurance assets

The Company cedes reinsurance in the normal course of business. Reinsurance assets primarily include balances due from reinsurance companies for ceded insurance liabilities. Amounts due from reinsurers are estimated in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contract. Premiums ceded and claims reimbursed are presented on a gross basis.

The benefit to which the Company is entitled under its reinsurance contract held is recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contract.

An impairment review is performed on all reinsurance assets when an indication of impairment occurs. Reinsurance assets are impaired only if there is objective evidence that the Company may not receive all amounts due to it under the terms of the contract and it can be measured reliably.

viii) Income taxes

Current income tax

Tax on the profit or loss for the year comprises current tax and the change in deferred tax.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the country where the Company operates and generates taxable income.

Deferred income tax

Deferred income tax is provided using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled based on the enacted tax rate at the reporting date.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax to be recovered.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

ix) Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property, at the time that cost is incurred, if the recognition criteria is met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured annually by fair values either by way of Directors' internal valuations or by an accredited external, independent valuator. Directors use discounted cash flow models and assumptions which reflect the market conditions at the reporting date. External valuators apply valuation models recommended by the International Valuation Standards Committee. Each property is externally valued at least once every three years.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers are made to or from investment property only when there is a change in use. If owner occupied property becomes investment property, the Company accounts for such property in accordance with the policy under property, plant and equipment up to the date of change in use.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of income in the period in which they arise.

x) Property and equipment

Property and equipment are stated at historical cost net of accumulated depreciation and impairment losses/write offs. Depreciation is provided on the straight line basis at various rates sufficient to write off the cost of the assets over their estimated useful lives. The rates used are as follows:

	% per annum
Motor vehicles	20
Computer equipment	$33^1/_3$
Leasehold improvements	10
Office furniture, machinery and equipment	10

Where the carrying value of an item of property and equipment exceeds the recoverable amount, the excess would be immediately taken to the statement of income. An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the statement of income. The residual values, estimated useful lives and methods of depreciation of property, plant and equipment are reviewed annually and adjusted prospectively if appropriate.

xi) Intangible assets

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- It can be demonstrated that the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2021 (Expressed in thousands of Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

xi) Intangible assets (continued)

Computer software (continued)

Directly attributable costs capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which do not exceed ten (10) years.

xii) Employee benefits

The ANSA McAL Pension Plan for Monthly Paid Employees is a hybrid plan with both defined benefit and defined contribution characteristics for its members. It is governed by trust deed and rules dated 17 September 1965 and encompass all eligible full time employees of the ANSA McAL Group of Companies. The Plan was registered to carry on business in Trinidad and Tobago on 31 October 1973. The trustees of the plan have elected to fund the benefits by means of a Segregated Asset Plan with Tatil Life Assurance Limited by way of an agreement dated 1 October 1984. Effective 1 January 2009, the name of the plan was changed to ANSA McAL Pension Plan for Monthly Paid Employees from Alston's Pension Fund Plan and from this date all new entrants to the Plan were admitted to a defined contribution scheme.

Defined benefit plan

A defined benefit plan is a pension plan that is not a defined contribution plan. The pension accounting costs for the plans are assessed using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Company) and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. The maximum economic benefits available, as limited by the asset ceiling will crystallise in the form of reductions in future contributions.

Past service costs are recognised in the statement of income on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation under "general administrative and selling expenses" in the statement of income (by function) (refer to Note 24):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

Other post-employment benefit plan

The Company also provides post-employment medical health benefits to their retirees. The entitlement to these benefits is based on the employee remaining in service up to retirement age, and the completion of the minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for the defined benefit plan.

Defined contribution plan

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

xiii) Equity movements

Stated capital

Ordinary stated capital is classified within equity and is recognised at the fair value of the consideration received by the Company. Incremental costs directly attributable to the issue of new shares are shown as a reduction in equity, net of tax.

Dividends on ordinary share capital

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's Board of Directors. Dividends for the year that are approved after the reporting date are dealt with as an event after the statement of financial position date.

xiv) Product classification

Insurance contracts

IFRS 4, 'Insurance Contracts' defines insurance contracts as those containing significant insurance risk at the inception of the contract. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. These contracts are with and without discretionary participation features ('DPF'). For insurance contracts with DPFs, the guaranteed element has not been recognised separately. Changes to the insurance contract liability are recognised in the statement of income as an item of expense.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Investment contracts

Any insurance contract not considered to be transferring significant risk is, under IFRS, classified as investment contracts. Deposits collected and benefit payments under investment contracts are not accounted for through the statement of income, but are accounted for directly through the statement of financial position as a movement in the investment contract liability. Changes in the fair value of financial assets backing investment contracts are recognised in the statement of income as investment income.

xv) Life insurance contract liabilities

The provision for life insurance contracts is calculated on the basis of a cash flow matching method where the expected cash flows are based on prudent assumptions depending on the circumstances prevailing.

The liability is determined as the sum of the discounted value of the expected benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the actual gross premiums that would be paid over the expected future lifetime of the contract. The liability is based on best estimate assumptions as to mortality, persistency, investment income and maintenance expenses that are expected to prevail over the lifetime of the contract.

A margin for adverse developments is added to each best estimate assumption to provide a prudent estimate of possible future claims. Adjustments to the liabilities at each reporting date are recorded in the statement of income as an expense.

xvi) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of income, net of reimbursements.

When the Company can reliably measure the outflow of economic benefits in relation to a specific matter and considers such outflows to be probable, the Company records a provision against the matter. Given the subjectivity and uncertainty of determining the probability of losses, the Company takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

xvii) Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or service is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those goods or services.

Loans and advances

Income from loans, including origination fees, is recognised on an amortised basis. Interest is accounted for on the accrual basis except where a loan contractually becomes three months in arrears at which point the accrued interest is suspended and subsequently accounted for on a cash basis until the arrears are cleared.

The effective interest rate method

Interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost and financial instruments designated at FVOCI. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

Investment income

Interest income is recognised in the statement of income as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Interest income includes the amortisation of any discount or premium on the constant yields basis. Investment income also includes fair value changes.

Interest income is accrued until the investment becomes contractually three months in arrears at which time the interest is suspended and then accounted for on a cash basis until the investment is brought up to date.

Dividend income

Dividend income is recognised when the Company's right to receive the payment is established.

Rental income

Rental income from investment property under operating leases is recognised in the statement of income on a straight line basis over the term of the lease.

2. Significant accounting policies (continued)

xvii) Revenue recognition (continued)

Premium income

Premiums written are recognised on policy inception and earned on a pro rata basis over the term of the related policy coverage. For single premium business this is the date from which the policy is effective.

Reinsurance commissions

Reinsurance commissions are recognised when the right to receive the gross commission is recognised in accordance with the terms of the relevant reinsurance contract.

Fees and commissions

Unless included in the effective interest calculation, fees are recognised on the accrual basis as the service is provided. Fees and commissions, not integral to the effective interest, arising from negotiating or participating in the negotiation of a transaction from a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contract.

Other income and expenditure

Other income and expenditure, inclusive of borrowing costs, are brought into account on the accrual basis.

xviii) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago Dollars at rates of exchange ruling at the statement of financial position date. Non-monetary assets and liabilities are translated using exchange rates that existed at the date of the initial transaction. All revenue and expenditure transactions denominated in foreign currencies are translated at mid-exchange rates and the resulting profits and losses on exchange from these trading activities are recognised in the statement of income.

xix) Benefits and claims

Life insurance business claims reflect the cost of all claims incurred during the year. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant reinsurance contract.

xx) Lapse

i. Policies will lapse and the Company's liability will cease:

ii. At the end of the grace period (30 days) for any unpaid premium unless the premium or part of it is advanced under the automatic premium loan provision or the policy is changed to paid up or;

iii. At the end of the pro-rated period for which insurance is provided if part of an unpaid premium was advanced under the automatic loan provision; or;

iv. At the end of the 30 day period following the mailing of a lapse notice indicating that the indebtedness equals or exceeds the gross cash value.

xxi) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Property, plant and equipment 3-6 years
Motor vehicles 5 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

xxii) Comparative information

No changes were made in the presentation of these financial statements for 31 December, 2020.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

i) Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Property and equipment

Management exercises judgement in determining whether costs incurred can accrue sufficient future economic benefits to the Company to enable the value to be treated as a capital expense. Further judgement is used upon annual review of the residual values and useful lives of all capital items to determine any necessary adjustments to carrying value.

Impairment of financial instruments

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company's internal credit grading model, which assigns PDs to the individual grades
- The Company's criteria for assessing if there has been a significant increase in credit risk and if so allowances for financial instruments should be measured on a LTECL basis and the qualitative assessment
- The segmentation of financial instruments when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models
- Leases

- *Determining the lease term of contracts with renewal and termination options - Company as lessee*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Company included the renewal period as part of the lease term for leases of properties with shorter non-cancellable period (i.e., 3 to 6 years). The Company typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2021 (Expressed in thousands of Trinidad and Tobago dollars)

3. Significant accounting judgements, estimates and assumptions (continued)

i) Judgements (continued)

Estimating the incremental borrowing rate

If the Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of- use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

ii) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Valuation of investments

Fair values are based on quoted market prices for the specific instrument, comparisons with other highly similar financial instruments, or the use of valuation models. Establishing valuations where there are no quoted market prices inherently involves the use of judgement and applying judgement in establishing reserves against indicated valuations for aged positions, deteriorating economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity, model risk itself and other factors.

Pension and other post employment benefits

The cost of the defined benefit pension plan and other post employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date. Further details are given in Note 16.

Deferred taxes

Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and the level of future taxable profits together with future tax planning strategies.

Insurance contract liabilities

The estimation of the ultimate liability from claims made under life insurance contracts is an accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for those claims.

Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. The Company based these estimates on standard industry mortality tables which reflect historical mortality experience, adjusted where appropriate to reflect the Company's unique risk exposure. The number of deaths determines the value of possible future benefits to be paid out which will be factored into ensuring sufficient cover reserves, which in return is monitored against current and future premiums. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, both epidemic, as well as wide-ranging changes to lifestyle, could result in significant changes to the expected future mortality exposure. All of this result in even more uncertainty in estimating the ultimate liability.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Estimates for future deaths, voluntary terminations, investment returns and administration expenses are determined at the inception of the contract and are used to calculate the liability over the term of the contract. At each reporting date, these estimates are reassessed for adequacy and changes will be reflected in adjustments to the liability.

iii) Impact of COVID-19

Background

COVID-19, a respiratory illness caused by a new virus, was declared a world-wide pandemic by the World Health Organisation on 11 March 2020. The pandemic continued to affect economies in 2021 and Tatil Life Assurance Limited has considered this impact in preparing its financial statements.

Consideration of the statements of financial position and further disclosures

Loans and advances

In response to the COVID-19 pandemic, the Company offered a moratorium to customers in good standing, which included a deferral of monthly instalments, including the principal and interest, for a period of one to six months beginning on the date of acceptance, with interest continuing to accrue during the period of the moratorium.

The financial impact of the moratorium was not material and these loans were not determined to be restructured.

Fair value measurement

The Company used the most up-to-date market information and credit ratings in the fair value calculations to evaluate the ECL provisions.

There were no substantial changes to the methodology or approach in light of the pandemic.

Leases

Tatil Life Assurance Limited elected to apply the practical expedient issued by the IASB in May 2020 and the amendment issued in March 2021, whereby COVID-19 rent concessions offered to Tatil Life Assurance Limited (as the lessee) were not treated as lease modifications as defined in IFRS 16, but as an adjustment to the lease liability recorded through the statement of comprehensive income. The lease arrangements impacted by this practical expedient related to property leases, and the changes/concessions offered by the lessors met one or all of the following criteria:

- The change in lease payments resulted in a revised consideration for the lease that was substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- The reduction in lease payments impacted only payments originally due on or before 30 June 2021.
- There was no substantive change to other terms and conditions of the lease.

Refer to Note 6 for further disclosures.

Insurance contract liabilities

The Company ensured that the assumptions used in the calculation of the actuarial reserve considered the impact of COVID-19. These include both economic and actuarial assumptions in light of the pandemic.

There were no substantial changes to the methodology or approach in light of the pandemic.

4. Cash and short-term funds

	2021	2020
Cash at bank	323,202	344,104
Short-term funds	24,827	134,708
	348,029	478,812

Cash held at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

5. Other debtors and prepayments

	2021	2020
Prepayments	2,329	2,526
Other debtors	5,958	4,932
Group debtors	58	33
	8,345	7,491

6. Leases

Company as a lessee

The Company has lease contracts for various items of property and motor vehicles used in its operations. Leases of property generally have lease terms between 3 and 6 years, while motor vehicles generally have lease terms of 5 years.

The Company also has certain leases of property with lease terms of 12 months or less and leases of photocopying machines with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases. The Company recognised rent expense from short-term leases of $151 (2020: $161) and from low-value assets of $207 (2020: $166) for the year ended 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2021 (Expressed in thousands of Trinidad and Tobago dollars)

6. Leases (continued)

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Land and building	Motor vehicles	Total
As at 1 January 2021	8,883	138	9,021
Additions	–	824	824
Depreciation	(4,042)	(74)	(4,116)
As at 31 December 2021	4,841	888	5,729
As at 1 January 2020	12,798	272	13,070
Additions	95	–	95
Disposals	–	(43)	(43)
Depreciation	(4,010)	(91)	(4,101)
As at 31 December 2020	8,883	138	9,021

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Land and building	Motor vehicles	Total
As at 1 January 2021	9,241	150	9,391
Additions	–	824	824
Disposals	(27)	–	(27)
Principal payments	(4,076)	(79)	(4,155)
As at 31 December 2021	5,138	895	6,033
As at 1 January 2020	13,057	296	13,353
Additions	95	–	95
Disposals	(38)	–	(38)
Principal payments	(3,873)	(146)	(4,019)
As at 31 December 2020	9,241	150	9,391

The maturity analysis of lease liabilities are disclosed in Note 29.

7. Investment securities

	2021	2020
Financial assets designated at fair value through the statement of income		
Equity securities	945,125	401,213
Sub-total	945,125	401,213
Financial assets at amortised cost		
Government bonds	345,031	362,220
State owned company securities	346,870	421,524
Corporate bonds and debentures	447,058	543,736
Sub-total	1,138,959	1,327,480
Total investment securities	2,084,084	1,728,693

Impairment allowance for investments

The table below shows the staging of based on the Company's investments and the related ECLs criteria as explained in Note 2iv (b).

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 31 December 2021	1,142,026	681	–	1,142,707
ECL allowance as at 31 December 2021	(3,748)	–	–	(3,748)
Net exposure as at 31 December 2021	1,138,278	681	–	1,138,959
Gross carrying amount as at 31 December 2020	1,217,125	117,124	1,106	1,335,355
ECL allowance as at 31 December 2020	(3,029)	(3,740)	(1,106)	(7,875)
Net exposure as at 31 December 2020	1,214,096	113,384	–	1,327,480
ECL allowance as at 1 January 2021	3,029	3,740	1,106	7,875
New assets originated or purchased	819	–	–	819
Assets derecognised or repaid	–	–	(1,106)	(1,106)
Amounts written off or credit loss expense	(100)	(3,740)	–	(3,840)
At 31 December 2021	3,748	–	–	3,748
ECL allowance as at 1 January 2020	2,281	3,787	1,079	7,147
New assets originated or purchased	438	–	–	438
Assets derecognised or repaid	(517)	(999)	–	(1,516)
Amounts written off or credit loss expense	827	952	27	1,806
At 31 December 2020	3,029	3,740	1,106	7,875

8. Assets pledged

	2021	2020
Cash and short-term funds	–	120,229
Loans and advances	–	194,148
Bonds and debentures	–	1,065,414
Equities	–	385,170
Real estate	–	7,800
	–	1,772,761

Under the provisions of the Insurance Act 1980, the Company established and maintained a statutory fund to which the assets were pledged and held to the order of the Inspector of Financial Institutions. Based on the new Insurance Act 2018 which came into effect on January 1, 2021, this is no longer a requirement for the Company.

9. Loans and advances

	2021	2020
Policy loans	12,736	12,725
Mortgage loans	201,623	194,625
	214,359	207,350
Sectoral analysis of advances		
Personal	178,309	169,197
Commercial	36,050	38,153
	214,359	207,350
Maturity profile of loans and advances		
Within 1 year	10	–
1 to 5 years	4,811	3,452
Over 5 years	209,538	203,898
	214,359	207,350

The table below shows the staging of net loans and advances and the related ECLs based on the Company's criteria as explained in Note 2 (iv) (b).

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 31 December 2021	214,635	–	–	214,635
ECL allowance as at 31 December 2021	(276)	–	–	(276)
Net exposure as at 31 December 2021	214,359	–	–	214,359
Gross carrying amount as at 31 December 2020	207,686	–	–	207,686
ECL allowance as at 31 December 2020	(336)	–	–	(336)
Net exposure as at 31 December 2020	207,350	–	–	207,350
ECL allowance as at 1 January 2021	336	–	–	336
Amounts written off or credit loss expense	(60)	–	–	(60)
At 31 December 2021	276	–	–	276
ECL allowance as at 1 January 2020	100	–	–	100
New assets originated or purchased	75	–	–	75
Amounts written off or credit loss expense	161	–	–	161
At 31 December 2020	336	–	–	336

10. Insurance receivables

	2021	2020
Premium receivables	809	547
Reinsurance receivables	6,744	9,069
	7,553	9,616

11. Reinsurance asset

	2021	2020
Reinsurance of insurance contracts		
Individual life	18,213	16,588
Universal life	(1,300)	(1,500)
Group life	455	461
	17,368	15,549

12. Investment properties

	2021	2020
Valuation at beginning of year	29,210	29,205
Loss on revaluation (Note 24)	(3,910)	–
Additions	350	5
Valuation at close of year	25,650	29,210
Rental income from investment properties	1,586	1,681
Direct operating expenses	416	248

Additional disclosures on fair value are provided in Note 27 to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2021 (Expressed in thousands of Trinidad and Tobago dollars)

12. Investment properties (continued)

The Company's investment properties consist of four commercial properties located at #114 Frederick Street, Port of Spain; #13A Quenca Street, San Fernando; Corner Maingot and Gordon Streets, Mt. Hope and #3 Calcutta Street, St. James.

The fair values of the properties are based on the valuations performed by Linden Scott and Associates Ltd. and G.A. Farrell and Associates Ltd. Linden Scott and Associates Ltd and G.A. Farrell and Associates Ltd, are specialists in valuing these types of investment properties. A Valuation model in accordance with that recommended by the RICS Valuation and International Valuation Standards Committee has been applied by the valuator.

Operating leases

The Company's policy is to rent investment properties to tenants through operating leases. Minimum future rentals to be received on non-cancellable operating leases of the Company's investment properties are due in the following periods:

	2021	2020
No later than 1 year	1,964	1,897
Later than 1 year but not later than 5 years	2,211	666
	4,175	2,563

The Company has no restrictions on the realisability of its investment properties and no contractual obligation for repairs, maintenance and enhancements. In 2021, the Company entered into an agreement for the purchase of an additional property and a down payment was made.

13. Property and equipment

	Freehold property	Motor vehicle	Machinery and equipment	Total
2021				
Cost				
At beginning of year	3,413	–	17,309	20,722
Additions	37	–	316	353
Disposal	(144)	–	(131)	(275)
At end of year	3,306	–	17,494	20,800
Accumulated depreciation				
At beginning of year	1,881	–	16,920	18,801
Disposal	(131)	–	(127)	(258)
Charge for the year	82	–	675	757
At end of year	1,832	–	17,468	19,300
Net book value	1,474	–	26	1,500
2020				
Cost				
At beginning of year	3,806	303	16,411	20,520
Additions	–	–	898	898
Disposal	(393)	(303)	–	(696)
Transfer	–	–	–	–
At end of year	3,413	–	17,309	20,722
Accumulated depreciation				
At beginning of year	2,176	272	16,217	18,665
Disposal	(382)	(272)	–	(654)
Charge for the year	87	–	703	790
At end of year	1,881	–	16,920	18,801
Net book value	1,532	–	389	1,921

As at 31 December 2021, the Company's gross carrying amount of fully depreciated assets still in use amounted to $16,962,076 (2020: $15,840,000). There were no property and equipment retired, held for disposal, restrictions on title and pledged as security for liabilities, as well as no contractual commitments for the acquisition of property and equipment as at 31 December 2021 and 31 December 2020.

14. Intangible assets

Intangible assets include the internal development cost arising from the development of computer software for the Company which was recognised at fair value at the capitalization date. Subsequent to initial recognition, computer software will be carried at cost, less amortization and impairment losses where necessary. This software is still in development and a useful life of 10 years has been determined in which to amortise the asset.

	2021	2020
Gross carrying amounts		
At beginning of the period	160	160
Acquisitions during the year	14,409	–
At end of the period	14,569	160
Accumulated amortisation		
At beginning of the period	29	13
Amortization for the year	16	16
At end of the period	45	29
Net carrying amounts	14,524	131

15. Deferred tax assets and (liabilities)

	2020	Credit/(charge) to Income	Credit/(charge) to OCI	Credit/(charge) to Life reserve	2021
Deferred tax asset arising from:					
Employee benefit obligations	702	50	(14)	–	738
Finance leases	89	(15)	–	–	74
ECL provisions (Stages1 & 2)	1,692	(755)	–	–	937
	2,483	(720)	(14)	–	1,749
Deferred tax liability arising from:					
Life insurance reserves	(65,487)	–	–	2,168	(63,319)
Employee benefit asset	(14,280)	(563)	(1,516)	–	(16,359)
Unrealised investment gains	(24,463)	(19,824)	–	(13,985)	(58,272)
	(104,230)	(20,387)	(1,516)	(11,817)	(137,950)

	2019	Credit/(charge) to Income	Credit/(charge) to OCI	Credit/(charge) to Life reserve	2020
Deferred tax asset arising from:					
Employee benefit obligations	667	60	(25)	–	702
Finance leases	65	24	–	–	89
ECL provisions (Stages 1 & 2)	1,517	175	–	–	1,692
	2,249	259	(25)	–	2,483
Deferred tax liability arising from:					
Life insurance reserves	(59,513)	–	–	(5,974)	(65,487)
Employee benefit asset	(13,841)	(612)	173	–	(14,280)
Unrealised investment gains	(39,503)	9,024	–	6,016	(24,463)
	(112,857)	8,412	173	42	(104,230)

16. Employee benefits

The level of pension benefits provided under the defined benefit plans depends on the member's length of service and salary at retirement age. The defined benefit pension plan requires contributions to be made to a separately administered fund. The fund has a separate legal form and is governed by the Board of Trustees. The Board of Trustees is responsible for the administration of the plan assets and for the definition of the investment strategy.

The Board of Trustees periodically reviews the level of funding in the pension plan. Such a review includes the asset-liability matching strategy and investment risk management policy which considers the term of the pension obligation while simultaneously remaining compliant with the requirements of the Insurance Act 2018. The pension plans are exposed to inflation, interest rate risks and changes in the life expectancy for pensioners in the relevant jurisdictions. As the plan assets include significant investments in quoted equity shares, the Company is also exposed to equity market risk.

a) The amount recognised in the statement of financial position is as follows:

	Defined benefit pension plan 2021	Defined benefit pension plan 2020	Post-employment medical benefits 2021	Post-employment medical benefits 2020
Present value of the defined benefit obligation	36,910	36,008	2,951	2,808
Fair value of plan assets	(102,339)	(93,121)	–	–
(Asset)/liability recognised in the statement of financial position	(65,429)	(57,113)	2,951	2,808

For the Year Ended 31 December 2021 (Expressed in thousands of Trinidad and Tobago dollars)

16. Employee benefits (continued)

b) Changes in defined benefit obligation and fair value of plan assets

The changes in the benefit obligations and fair value of plan assets are analysed below.

	Defined benefit obligation	Fair value of plan assets	Defined benefit pension plans	Post-employment medical benefits
Balance as at 1 January 2021	36,008	(93,121)	(57,113)	2,808
Pension cost charged to statement of income				
Current service cost	953	–	953	182
Net interest cost	1,793	(4,636)	(2,843)	142
Past service cost	–	103	103	–
Total charge/(credit) to statement of income	2,746	(4,533)	(1,787)	324
Re-measurement (gains)/losses in OCI				
Experience (gains)/losses - demographic	(600)	(5,463)	(6,063)	(55)
Total (credit) to OCI	(600)	(5,463)	(6,063)	(55)
Other movements				
Contributions by employee	466	(466)	–	–
Contributions by employer	–	(466)	(466)	–
Transfers	(6)	6	–	–
Benefits paid	(1,704)	1,704	–	(126)
Total other movements	(1,244)	778	(466)	(126)
Balance as at 31 December 2021	36,910	(102,339)	(65,429)	2,951
Balance as at 1 January 2020	34,481	(89,839)	(55,358)	2,668
Pension cost charged to statement of income				
Current service cost	992	–	992	223
Net interest cost	1,718	(4,749)	(3,031)	136
Past service cost	–	51	51	–
Total charge/(credit) to statement of income	2,710	(4,698)	(1,988)	359
Re-measurement (gains)/losses in OCI				
Experience (gains)/losses - demographic	14	677	691	(98)
Total charge/(credit) to OCI	14	677	691	(98)
Other movements				
Contributions by employee	458	(458)	–	–
Contributions by employer	–	(458)	(458)	–
Transfers	(35)	35	–	–
Benefits paid	(1,620)	1,620	–	(121)
Total other movements	(1,197)	739	(458)	(121)
Balance as at 31 December 2020	36,008	(93,121)	(57,113)	2,808

c) Movement in net (asset)/liability recognised in the statement of financial position:

	Defined benefit pension plan 2021	Defined benefit pension plan 2020	Post-employment medical benefits 2021	Post-employment medical benefits 2020
Net (asset)/liability at the start of the year	(57,113)	(55,358)	2,808	2,668
Net (income)/expense recognised in statement of income	(1,787)	(1,988)	324	359
Contributions/benefits paid	(466)	(458)	(126)	(121)
Net (income)/expense recognised in other comprehensive income	(6,063)	691	(55)	(98)
Net (asset)/liability at the end of the year	(65,429)	(57,113)	2,951	2,808

d) Actual return on plan assets

	2021	2020
Actual return/(loss) on plan assets	10,099	(1,453)

e) The major categories of plan assets as a percentage of total plan assets are as follows:

	2021 %	2020 %
Local equities	32	29
Local bonds	31	36
Foreign investments	23	23
Real estate/mortgages	2	2
Short-term securities	12	10
	100	100

f) Actuarial assumptions

	2021 %	2020 %
Discount rate	5	5
Future salary increases	3	3
Future medical claims inflation	3	3

Shown below is a quantitative sensitivity analysis for the impact of significant assumptions on the defined benefit obligation:

	Discount rate		Future salary increases		Future medical claims inflation	
Sensitivity level	**+1%**	**-1%**	**+1%**	**-1%**	**+1%**	**-1%**
At 31 December 2021	(3,665)	4,499	866	(772)	358	(289)
At 31 December 2020	(3,764)	4,634	936	(837)	348	(279)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

As advised by the consulting actuary, the Company expects to contribute $466 to its defined benefit plan in 2022. The average duration of the defined benefit obligation at the end of the reporting period is 13 years (2020: 13 years). The average duration of the medical plan is 12 years (2020: 12 years).

Defined contribution plan

Certain employees of the Company are enrolled in a defined contribution pension scheme which is operated by the Company/ultimate parent - ANSA McAL Limited. The cost of the Company's contributions recognised in the statement of income in 2021 was $399 (2020: $395).

17. Other payables

	2021	2020
Unapplied premiums	7,812	7,209
Reinsurance liability	1,408	1,643
Stale dated cheques	2,083	1,484
Accrued expenses	5,042	6,055
Provisions for agents bonuses	620	500
Sundry creditors and accruals	1,805	2,121
Amounts due to related parties	445	828
	19,215	19,840

18. Investment contract liabilities

	2021	2020
At beginning of year	265,923	269,060
Premiums received	19,937	25,211
Interest credited	11,783	11,594
Liabilities realised for payment on death, surrender and other terminations in the year	(21,922)	(27,675)
Other movements	(1,820)	(12,267)
At end of year	273,901	265,923

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2021 (Expressed in thousands of Trinidad and Tobago dollars)

19. Insurance contract liabilities

The life insurance contract liabilities may be analysed as follows:

	2021 Insurance contract liabilities	2021 Reinsurers' share of liabilities	2021 Net	2020 Insurance contract liabilities	2020 Reinsurers' share of liabilities	2020 Net
With Discretionary Participation Features	194,282	–	194,282	194,432	–	194,432
Without Discretionary Participation Features	1,138,254	(17,368)	1,120,886	1,043,095	(15,549)	1,027,546
	1,332,536	(17,368)	1,315,168	1,237,527	(15,549)	1,221,978
Outstanding claims	44,586	–	44,586	57,021	–	57,021
Total life insurance contract liabilities	1,377,122	(17,368)	1,359,754	1,294,548	(15,549)	1,278,999

The movement during the year in the life insurance contracts liabilities is as follows:

	2021 Insurance contract liabilities	2021 Reinsurers' share of liabilities	2021 Net	2020 Insurance contract liabilities	2020 Reinsurers' share of liabilities	2020 Net
At beginning of year	1,294,548	(15,549)	1,278,999	1,202,787	(13,776)	1,189,011
Premiums received	194,726	(15,448)	179,278	204,567	(14,481)	190,086
Liabilities realised for payment on death, surrender and other terminations in the year	(112,152)	13,629	(98,523)	(112,806)	12,708	(100,098)
At end of year	1,377,122	(17,368)	1,359,754	1,294,548	(15,549)	1,278,999

20. Stated capital

	2021	2020
Authorised		
An unlimited number of shares of no par value		
Issued and fully paid		
9,000,020 shares at no par value	62,970	62,970
Additional paid-in capital		
At beginning of year	62,970	62,970
Shares issued	–	–
At end of year	62,970	62,970
Issued and fully paid shares	**Number of shares**	
At beginning of year	9,000,020	9,000,020
Shares issued	–	–
At end of year	9,000,020	9,000,020

21. Investment income

	2021	2020
Interest and dividend income from investments at fair value through the statement of income	14,337	10,870
Interest and dividend income from other financial assets	79,890	87,793
Realised gain on sale of investments		
Net gain/(loss) on assets at fair value through	14,267	1,841
the statement of income	133,338	(40,161)
	241,832	60,343

22. Other income

	2021	2020
Property rental	1,586	1,681
Trustee and other fiduciary fees	9,482	9,090
Fees and commissions	3,621	3,396
Other	610	395
	15,299	14,562

23. Gross insurance contract benefits and claims paid

	2021	2020
Death claims	20,092	16,012
Surrenders and withdrawals	37,549	36,926
Maturities	33,851	35,015
Annuities	29,315	26,838
Dividends	1,250	1,213
	122,057	116,004

24. General administrative and selling expenses

	2021	2020
Marketing and policy issue expenses	15,712	15,921
Staff costs	22,945	22,759
Employee benefits pension and medical contribution (Note 16 (b))	(871)	(1,050)
Impairment (write-back)/expense	(4,908)	1,234
Depreciation and amortisation (Note 13 & 14)	773	806
Depreciation on right of use assets (Note 6)	4,116	4,101
Interest on lease liability	272	419
Foreign exchange losses	381	1,717
Loss on revaluation of investment properties (Note 12)	3,910	–
Administrative expenses	14,520	9,526
	56,850	55,433

25. Taxation expense/(credit)

	2021	2020
Corporation tax	3,797	4,948
Green fund levy	883	931
Deferred taxation (Note 15)	21,107	(8,672)
	25,787	(2,793)
Reconciliation between taxation expense and net profit before taxation		
Net profit before taxation	157,555	1,838
Tax at applicable statutory rate 15% (2020: 15%)	23,633	276
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(1,161)	(911)
Non-deductible expense	(223)	(239)
Allowable deductions	(7,622)	(8,353)
Adjustment for prior year tax charges	(11)	76
Other differences	10,288	5,427
Provision for green fund levy and other taxes	883	931
	25,787	(2,793)

26. Insurance contracts, investment contracts and reinsurance assets - terms, assumptions and sensitivities

Terms and conditions

The Company offers a combination of individual life, pension, annuity and group life contracts with and without discretionary participation features. These contract liabilities are determined by internal actuaries and all subsequent valuation assumptions are determined by independent consulting actuaries.

Key assumptions

Material judgement (Note 3i) is required in determining the liabilities and in the choice of assumptions relating to both insurance contracts and investment contracts. Assumptions in use are based on past experience, current internal data and conditions, and external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions are determined as appropriate and prudent estimates at the date of valuation. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

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For the Year Ended 31 December 2021 (Expressed in thousands of Trinidad and Tobago dollars)

26. Insurance contracts, investment contracts and reinsurance assets - terms, assumptions and sensitivities (continued)

For insurance contracts, estimates are made in two stages. Firstly at inception of the contract, the Company determines the assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. Secondly, at each reporting date, new estimates are developed to determine whether the liabilities are appropriate in light of the latest current estimates. If the liabilities are not appropriate, the assumptions are altered to reflect the current estimates.

For investment contracts, assumptions used to determine the liabilities are also updated at each reporting date to reflect latest estimates.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

Mortality and morbidity rates

Assumptions are based on underlying experience as well as standard industry mortality tables, according to the type of contract written. For contracts that insure the risk of longevity, appropriate but not excessive prudent allowance is made for expected future mortality improvements. Assumptions are differentiated by sex, underwriting class and contract type.

Mortality rates higher than expected will lead to a larger number of insurance claims and claims will occur sooner than anticipated, which will increase the expenditure and reduce profits for the shareholders.

Investment return

The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments.

An increase in investment return would lead to a reduction in expenditure and an increase in profits for the shareholders.

Expenses

Operating expense assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. An increase in the level of expenses would result in an increase in expenditure thereby reducing profits for the shareholders.

Lapse and surrender rates

Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Company's experience and vary by product type, policy duration and changes in policyholders' circumstances.

The impact of a decrease in lapse rates at early duration of the policy would tend to reduce profits for the shareholders but lapse rates at later policy durations is broadly neutral in effect.

Sensitivities

The table illustrates the impact of various changes in assumptions which are within a reasonable range of possible outcomes given the uncertainties involved in the estimation process.

It demonstrates the effect of the change in key assumptions whilst other assumptions remain unchanged, if these assumptions were changed in a single calendar year. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact on the claims liabilities due to changes in assumptions, these assumption changes had to be done on an individual basis. It should also be stressed that the relationships between these assumptions are non-linear and larger or smaller impacts cannot easily be gleaned from these results.

Assumption change	**Change in insurance contract liabilities**	
	2021 $'000	**2020 $'000**
2% increase in mortality	11,400	9,800
5% increase in expenses	10,200	10,000
10% change in lapse rates	9,400	8,900
1% decrease in investment earnings	148,300	140,900

27. Fair value

i) Carrying amounts and fair values

The following tables summarise the carrying amounts and the fair values of the Company's financial assets and liabilities.

	Carrying values	**Fair values**	**Un-recognised gain**
2021			
Financial assets			
Financial assets at fair value through statement of income	945,125	945,125	–
Financial assets at amortised cost	1,138,959	1,175,955	36,996
Loans and advances	214,359	214,359	–
Investment property	25,650	25,650	–
	2,324,093	2,361,089	36,996

	Carrying values	**Fair values**	**Un-recognised gain**
2020			
Financial assets			
Financial assets at fair value through statement of income	401,213	401,213	–
Financial assets at amortised cost	1,327,480	1,388,146	60,666
Loans and advances	207,350	207,350	–
Investment property	29,210	29,210	–
	1,965,253	2,025,919	60,666

For all other financial instruments, the carrying amount is a reasonable approximation of fair value.

ii) Determination of fair value and fair values hierarchy

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

	Level 1	**Level 2**	**Level 3**	**Total fair value**
2021				
Financial assets				
Financial assets at fair value through the statement of income				
Equity securities	867,532	76,553	1,040	945,125
	867,532	76,553	1,040	945,125
Assets measured at fair value				
Investment properties	–	–	25,650	25,650
Assets at amortised cost for which fair values are disclosed				
Government bonds	–	351,197	–	351,197
State owned company securities	–	375,209	–	375,209
Corporate bonds and debentures	64,373	385,176	–	449,549
Loans and advances	–	–	214,359	214,359
	64,373	1,111,582	214,359	1,390,314
Liabilities for which fair values are disclosed				
Investment contract liabilities	–	273,901	–	273,901
2020				
Financial assets				
Financial assets at fair value through the statement of income				
Equity securities	400,173	–	1,040	401,213
	400,173	–	1,040	401,213
Assets measured at fair value				
Investment properties	–	–	29,210	29,210
Assets at amortised cost for which fair values are disclosed				
Government bonds	16,884	353,056	–	369,940
State owned company securities	64,801	398,107	–	462,908
Corporate bonds and debentures	233,401	321,895	–	555,296
Loans and advances	–	–	207,350	207,350
	315,086	1,073,058	207,350	1,595,494
Liabilities for which fair values are disclosed				
Investment contract liabilities	–	265,923	–	265,923

Description of significant unobservable inputs to valuation:

	Valuation technique	**Significant unobservable inputs**	**Range (weighted average)**	**Sensitivity of the input to fair value**
Unquoted securities	Discounted cashflows	Rate of return	2.51% to 6.51%	2% increase/ (decrease) in the rate of return would result in decrease/ (increase) in fair value by $536,000/ ($1,391,000)

Transfers between Level 1 and 2

At each reporting date the Company assesses the fair value hierarchy of its financial instruments. A transfer between levels will occur when a financial instrument no longer meets the criteria in which the financial instrument is classified.

For the years ended 31 December 2021 and 2020, no assets were transferred from level 2 to level 1.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2021 (Expressed in thousands of Trinidad and Tobago dollars)

27. Fair value (continued)

ii) Determination of fair value and fair values hierarchy (continued)

Reconciliation of movements in Level 3 financial instruments measured at fair value

For the year ended 31 December 2021, there was no movement in level 3 financial instruments.

28. Risk management

Introduction

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls.

This process of risk management is critical to the Company's continuing profitability and all individuals within the Company are accountable for the risk exposures relating to their responsibilities. The Company is exposed to credit risk, liquidity risk and market risk.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies, principles, policies and procedures. Day-to-day adherence to risk principles is carried out by the executive management of the Company in compliance with the policies approved by the Board of Directors.

Treasury management

The Company employs a Treasury function, which is responsible for managing its assets and liabilities and the overall financial structure. The treasury function is also primarily responsible for the funding and liquidity risks of the Company.

Concentrations of risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's results to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Company's procedures include specific monitoring controls to focus on the maintenance of a diversified portfolio.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise credit risk, interest rate risk, currency risk and equity price risk each of which is considered in this note and include, where relevant, the sensitivity of the Company's financial results on movements in certain market risk variables.

Credit risk

The Company takes on exposure to credit risk, which is the potential for loss due to a counter-party or borrower's failure to pay amounts when due. Credit risk arises from traditional lending, underwriting and investing activity, and from settling payments between financial institutions. Impairment provisions are established for losses that have been incurred at the end of the reporting period.

Significant changes in the economy, or in the state of a particular industry segment that represents a concentration in the Company's portfolio, could result in losses that are different from those provided at the reporting date. Management therefore carefully manages its exposure to credit risk.

The Company structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to geographical and industry segments. Such risks are monitored on an ongoing basis, and limits on the levels of credit risk that the Company can engage in are approved by the Board of Directors.

Exposure to credit risk is further managed through regular analysis of the ability of borrowers to meet capital and interest repayment obligations and by changing these lending limits when appropriate. In addition, collateral, corporate, state and personal guarantees are obtained.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as the primary underwriter. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The following table shows the maximum exposure to credit risk without taking account of any collateral held or other credit enhancements attached. The amount and type of collateral required depends on an assessment of the credit risk of the counter party. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

	Gross maximum exposure 2021	Gross maximum exposure 2020
Cash and short-term funds	348,029	478,812
Fixed deposits	45,453	44,200
Loans and advances	214,359	207,350
Financial assets at amortised cost	1,138,959	1,327,480
Interest receivable	8,514	11,753
Insurance receivables	7,553	9,616
Other debtors and prepayments	8,345	7,491
Reinsurance asset	17,368	15,549
	1,788,580	2,102,251

Cash and short-term funds and fixed deposits

These funds are placed with highly rated local banks. In addition cash is held at one international financial institution with whom the Company has a relationship as custodian and fund manager. This custodian and fund manager is highly rated by Moody's and has been classified with a 'stable' outlook. Management therefore considers the risk of default of this counterparty to be very low.

Other financial assets

For mortgage loans, policy loans, premium receivables and reinsurance receivables and other assets, a simplified ECL approach was applied. Historical losses on these respective portfolios were calculated and applied to the current positions, with management applying judgement overlays based on expectations as required.

Investment securities

PDs and LGDs for traded instruments were based on the global credit ratings assigned to the instruments or the country for sovereign exposures. PDs and LGDs for non-traded instruments as well as local debt instruments were based on three notches below the credit rating of the sovereign in which the instrument is issued or on company ratings where they existed. EAD equals the amortised security balance plus accrued interest.

The credit quality of investment securities can also be analysed into the following categories:

High grade	These include regional sovereign debt securities issued directly or through a state intermediary body where there has been no history of default.
Standard	These securities are current and have been serviced in accordance with the terms and conditions of the underlying agreements. In addition, included in this category are securities issued by related parties and fellow subsidiaries within the ANSA McAL Group of companies.
Sub-standard	These securities are either greater than 90 days in arrears, display indicators of impairment, or have been restructured in the past financial year.
Impaired	These securities are non-performing.

	2021	2020
High grade	356,248	372,572
Standard	782,711	954,908
	1,138,959	1,327,480

Analysis of gross carrying amount and the corresponding ECLs are as follows:

Stage 1	**Loans and advances**	**Investments**	**Total**
2021			
Gross balance	214,635	1,142,026	1,356,661
ECL	(276)	(3,748)	(4,024)
	214,359	1,138,278	1,352,637
ECL as a % of Gross balance	0.13%	0.33%	0.30%
2020			
Gross balance	207,686	1,217,125	1,424,811
ECL	(336)	(3,029)	(3,365)
	207,350	1,214,096	1,421,446
ECL as a % of Gross balance	0.16%	0.25%	0.24%

Stage 2	**Loans and advances**	**Investments**	**Total**
2021			
Gross balance	–	681	681
ECL	–	–	–
	–	681	681
ECL as a % of Gross balance	0.00%	0.00%	0.00%
2020			
Gross balance	–	117,124	117,124
ECL	–	(3,740)	(3,740)
	–	113,384	113,384
ECL as a % of Gross balance	0.00%	3.19%	3.19%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2021 (Expressed in thousands of Trinidad and Tobago dollars)

28. Risk management (continued)

Credit risk (continued)

Investment Securities (continued)

Stage 3	Loans and advances	Investments	Total
2021			
Gross balance	–	–	–
ECL	–	–	–
	–	–	–
ECL as a % of Gross balance	0.00%	0.00%	0.00%
2020			
Gross balance	–	1,106	1,106
ECL	–	(1,106)	(1,106)
	–	–	–
ECL as a % of Gross balance	0.00%	100.00%	100.00%

Reinsurance assets

The credit quality of reinsurance assets can be assessed by reference to external credit ratings agencies, Standard & Poor and A.M Best. Based on the high ratings, management therefore considers the risk of default of these counterparties to be very low.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company manages its interest rate exposure by investing in fixed and variable rate instruments.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by the Investment/Treasury function.

The sensitivity of income is the effect of the assumed changes in interest rates on the income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2021 and 2020.

The table below demonstrates the sensitivity to a reasonable possible change in interest rates on the Company's income with all other variables held constant.

Increase in basis points	Sensitivity of income	
	2021	2020
±100	±454	±442

Currency risk

The Company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Company's exposure to foreign currency exchange rate risk at 31 December 2021 and 2020. Included in the table are the Company's financial instruments at carrying amounts, categorised by currency. The Company has no financial liabilities denominated in currencies other than the reporting currency.

Increase in basis points	Sensitivity of income	
	2021 USD	2020 USD
Assets		
Cash and short-term funds	24,864	134,744
Financial assets at fair value through statement of income	481,871	62,209
Financial assets at amortised cost	308,062	537,522
	814,797	734,475

The table below indicates the currency to which the Company had significant exposure at 31 December 2021 and 2020 on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the US$, with all other variables held constant on the statement of comprehensive income. A negative amount in the table reflects a potential net reduction in income or equity, while a positive amount reflects a net potential increase.

Currency	Change in currency rate %	Effect on profit before tax 2021	2020
USD	±5	±40,740	±36,724

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, Management arranges diversified funding sources, manages assets with liquidity in mind and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The maturity analysis of the Company's insurance contract liabilities, which includes outstanding claims, has been disclosed in the up to one year category and over five year category. There is uncertainty regarding the timing of when theses liabilities will be settled. Given this uncertainty, management estimates that outstanding claims will be settled within one year and the remaining insurance contract liabilities will be settled after five years of the reporting date. Actual experience could differ significantly. The Company maintains a diverse portfolio of marketable assets that can be easily liquidated in the event of an unforeseen interruption of cash flows. The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Company. The Company employs various asset/liability techniques to manage liquidity gaps. Liquidity gaps are mitigated by the marketable nature of a substantial segment of the Company's assets.

The table below summarises the maturing profiles of financial liabilities of the Company as at 31 December based on contractual undiscounted repayment obligations over the remaining life of those liabilities:

2021	Up to one year	Over one year	Total
Other payables	16,312	2,903	19,215
Investment contract liabilities	273,901	–	273,901
Insurance contract liabilities	44,586	1,332,536	1,377,122
	334,799	1,335,439	1,670,238
2020			
Other payables	16,778	3,062	19,840
Investment contract liabilities	265,923	–	265,923
Insurance contract liabilities	57,021	1,237,527	1,294,548
	339,722	1,240,589	1,580,311

Equity price risk

Equity price risk is the risk that the fair values of equities will decrease as the result of a decrease in equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Company's investment portfolio.

The effect on income will arise as a result of the change in fair value of equity instruments categorised as fair value through the statement of income.

The effect on income at 31 December due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

Market indices	Change in equity price %	Effect on income 2021	2020
Trinidad and Tobago Stock Exchange	±3%	±13,866	±10,139
Standard and Poor's 500	±8%	±28,831	±4,977

Insurance risk

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency and severity of claims.

The variability of risks is improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements.

29. Maturity analysis of assets and liabilities

The table below analyses the assets and liabilities of the Company based on the remaining period at 31 December to the contractual maturity date based on undiscounted cash flows.

	Current	Non-current	Total
2021			
Assets			
Cash and short-term funds	348,029	–	348,029
Fixed deposits	45,453	–	45,453
Interest receivable	8,514	–	8,514
Other debtors and prepayments	8,345	–	8,345
Financial assets at fair value through statement of income	945,125	–	945,125
Financial assets at amortised cost	115,987	1,022,972	1,138,959
Loans and advances	10	214,349	214,359
Insurance receivables	3,466	4,087	7,553
Reinsurance asset	–	17,368	17,368
Taxation recoverable	115	68	183
Investment properties	–	25,650	25,650
Right of use asset	–	5,729	5,729
Property and equipment	–	1,500	1,500
Intangible asset	–	14,524	14,524
Deferred tax asset	–	1,749	1,749
Employee benefit asset	–	65,429	65,429
Total assets	1,475,044	1,373,425	2,848,469

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 December 2021 (Expressed in thousands of Trinidad and Tobago dollars)

29. Maturity analysis of assets and liabilities (continued)

	Current	Non-current	Total
2021			
Liabilities			
Other payables	16,312	2,903	19,215
Taxation payable	34	–	34
Lease liabilities	3,620	2,413	6,033
Deferred tax liability	–	137,950	137,950
Employee benefit obligation	–	2,951	2,951
Insurance contract liabilities	44,586	1,332,536	1,377,122
Investment contract liabilities	273,901	–	273,901
Total liabilities	338,453	1,478,753	1,817,206
2020			
Assets			
Cash and short-term funds	478,812	–	478,812
Fixed deposits	44,200	–	44,200
Interest receivable	11,753	–	11,753
Other debtors and prepayments	6,156	1,335	7,491
Financial assets at fair value through statement of income	401,213	–	401,213
Financial assets at amortised cost	97,476	1,230,004	1,327,480
Loans and advances	–	207,350	207,350
Insurance receivables	6,441	3,175	9,616
Reinsurance asset	–	15,549	15,549
Taxation recoverable	61	101	162
Investment properties	–	29,210	29,210
Right of use asset	–	9,021	9,021
Property and equipment	–	1,921	1,921
Intangible asset	–	131	131
Deferred tax asset	–	2,483	2,483
Employee benefit asset	–	57,113	57,113
Total assets	1,046,112	1,557,393	2,603,505
2021			
Liabilities			
Other payables	16,778	3,062	19,840
Taxation payable	41	–	41
Lease liabilities	4,142	5,249	9,391
Deferred tax liability	–	104,230	104,230
Employee benefit obligation	–	2,808	2,808
Insurance contract liabilities	57,021	1,237,527	1,294,548
Investment contract liabilities	265,923	–	265,923
Total liabilities	343,905	1,352,876	1,696,781

30. Related party transactions and balances

Parties are considered to be related if one has the ability to control or exercise significant influence over the other party in making financial or operational decisions. The Company is owned by Trinidad and Tobago Insurance Limited (TATIL), which is owned by ANSA Merchant Bank Limited, a subsidiary of ANSA McAL Limited.

A number of transactions are entered into with related parties in the normal course of business. These include investments, finance leases, insurance coverage and foreign currency transactions. These transactions were carried out at commercial terms and at market rates.

The related assets, liabilities, income and expense from these transactions are as follows:

Assets	**2021**	**2020**
Amounts due from Group companies	45,442	44,166
Liabilities		
Amounts due to Group companies	1,340	978
Interest and other income		
Amounts received from Group companies	973	736
Expenses		
Amounts paid to Group companies	450	450
Directors fees	1,148	1,198
	1,598	1,648

Key management compensation

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Company. The table below shows certain components of key management compensation.

	2021	**2020**
Short-term employment benefits	955	2,991
Contributions to defined contribution plans	19	30
	974	3,021

31. Capital management

The primary objectives of the Company's capital management policy are to ensure that the Company complies with externally imposed capital requirements and that the Company maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

When managing capital, which is a broader concept than the 'equity' on the statement of financial position, the objectives of the Company are:

- To comply with the capital requirements set by regulators of the market where the Company operates;
- To safeguard the Company's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Externally imposed capital requirements are set and regulated by the Central Bank of Trinidad and Tobago and the Insurance Act 2018, which are put in place to ensure sufficient solvency margins. The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis.

For 2021 and 2020, the Company complied with all of the externally imposed capital requirements to which it is subject.

32. Capital Commitments

The value of capital commitments for 2021 is $72.3M (2020: $61.2M).

33. Contingent liabilities

In the ordinary course of business the Company is involved in various legal claims and proceedings. Provisions have been established, where necessary, based on the professional advice received. While it is not practical to forecast the precise outcome of pending or threatened legal proceedings, management is of the view that final determination of such proceedings will not have a material impact on the financial results and financial position of the Company.