



Chartered Accountants
& Business Advisors

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

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013



Chartered Accountants
& Business Advisors

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

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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

DIRECTORS' REPORT

MARITIME LIFE (CARIBBEAN) LIMITED

To be presented at the Forty-Second Annual General Meeting of the shareholders to be held at the Corporate Offices, Maritime Centre, 29 Tenth Avenue, Barataria on March 14th, 2014.

Your directors have pleasure in submitting their report for the year ended 31st December 2013.

	2013 \$'000	2012 \$'000
1. Income for the year		
Net income for the year	50,362	27,365
Less: Taxation	<u>(14,946)</u>	<u>(11,451)</u>
Net income for the year after taxation	35,416	15,914
Other comprehensive income	<u>4,313</u>	<u>1,290</u>
	39,729	17,204
Less: Non controlling interests	(2,938)	(3,575)
Amount transferred to Catastrophe Reserve	(1,547)	(1,787)
Amount transferred to General Reserve	7,575	(299)
Amount transferred to Statutory Reserves	(4,332)	(2,600)
Dividends paid – 2012 (22¢)	(2,392)	(2,392)
Dividends paid – 2013 (15¢)	<u>(1,631)</u>	<u>-</u>
Leaving a balance to be carried forward of	<u><u>34,464</u></u>	<u><u>6,551</u></u>
2. Equity attributable to Shareholders of the Company	<u><u>412,878</u></u>	<u><u>377,785</u></u>
3. Insurance contracts liabilities	<u><u>1,330,641</u></u>	<u><u>1,259,321</u></u>
4. The directors have proposed a dividend of 22¢ per share, amounting to \$2,391,705 payable on March 14 th , 2014 to shareholders on record at March 6 th , 2014.		
5. In accordance with By Law 4.3 all the directors with the exception of the Managing Director, retire from office and being eligible offer themselves for re-election.		
6. The auditors, Messrs. PKF Chartered Accountants and Business Advisors, retire and being eligible, offer themselves for re-appointment as auditors of the Company.		

BY ORDER OF THE BOARD

THE MARITIME FINANCIAL GROUP LIMITED

Secretary

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

CORPORATE INFORMATION

MARITIME LIFE (CARIBBEAN) LIMITED

ADVISORY BOARD	Bruce A. Mc I. Procope, QC - Chairman John H. Smith - Deputy Chairman Hugh P. Eastman Barbara Gomes Jean Khoury	
BOARD OF DIRECTORS	Andrew Ferguson, BSc, CPCU, ARe, FLMI, AFSB Lesley J. Alfonso, MBA, BBA, FLMI Donald Gibbon, BSc, MSc	
NON-EXECUTIVE DIRECTORS	John H. Smith, FCCA, CA	Chairman - Maritime General Insurance Company Limited/ Fidelity Finance and Leasing Company Limited
	Oliver Camps	Director - Maritime General Insurance Company Limited
EXECUTIVE MANAGEMENT	Andrew Ferguson, BSc, CPCU, ARe, FLMI, AFSB	Chief Executive Officer /Chairman
	Salahudeen Ali, FCCA, CA, CGA	Chief Financial Officer
	Ricardo Baynes, BSc (Hons), FLMI/M	Manager - Technology Services
	Andre Baptiste, FLMI	General Manager - Career Agency Development
	Roger Gomes, FCCA, CA	General Manager - Financial and Trust Services
	Baliram Sawh, ACII	General Manager - General Insurance Services
	Siew Paltoo, BSc	General Manager - Development Finance Ltd
BANKERS	Scotiabank Trinidad & Tobago Limited, Port of Spain. RBC Royal Bank (Trinidad & Tobago) Limited, Port of Spain. Republic Bank Limited, Port of Spain.	
ATTORNEYS	Chersons, Port of Spain. Lex Caribbean, Port of Spain. Pollonais Blanc de la Bastide & Jacelon, Port of Spain.	
APPOINTED ACTUARY	Nazir Valani, FSA, FCIA, MAAA	
AUDITORS	PKF Chartered Accountants and Business Advisors, Port of Spain.	
REGISTERED OFFICE	29 Tenth Avenue, Barataria	

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

NOTICE OF MEETING

MARITIME LIFE (CARIBBEAN) LIMITED

NOTICE is hereby given that the Forty-Second Annual General Meeting of the above-named Company will be held at the Corporate Offices, Maritime Centre, 29 Tenth Avenue, Barataria on Friday March 14, 2014 at 10.00 am for the following purposes:-

1. To receive the Audited Financial Statements for the year ended 31st December, 2013, together with the Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To re-elect retiring directors.
4. To appoint Auditors and authorise the Directors to determine the remuneration of such Auditors.
5. To transact any other ordinary business.

BY ORDER OF THE BOARD

THE MARITIME FINANCIAL GROUP LIMITED

Secretary

February 20th, 2014

Registered Office:

Maritime Centre
29 Tenth Avenue
Barataria
Trinidad, W.I.

NOTES:

A member entitled to attend and vote is entitled to appoint a proxy to attend and vote on his behalf and such proxy need not also be a member of the Company.

If the appointer is a corporation, the form of proxy must be under its common seal or under the hand of an officer of the corporation or attorney duly authorised in that behalf.

To be valid the instrument appointing a proxy duly completed and executed must be deposited at the registered office of the Company not less than forty-eight hours before the time appointed for holding the meeting.



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ACTUARIAL CERTIFICATE

Maritime Life (Caribbean) Limited

In accordance with section 56 (2) of the Insurance Act 1980, I have made a valuation of the actuarial liabilities of Maritime Life (Caribbean) Limited for its consolidated statement of financial position as at December 31, 2013. In my opinion, the aggregate amount of the liabilities of the Group in relation to its long term insurance business as at December 31, 2013 did not exceed the aggregate amount of those liabilities shown in the consolidated statement of financial position of the Group.

Nazir Valani, FSA, FCIA, MAAA
Appointed Actuary – Maritime Life (Caribbean) Limited

February 20th, 2014



Chartered Accountants
& Business Advisors

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Maritime Life (Caribbean) Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2013, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion we draw attention to Note 36 (b) to the consolidated financial statements. The State laid several charges on the Company and two of its subsidiaries, together with other companies and individuals. The ultimate outcome of these matters cannot presently be determined, and no provision for any liability that may result has been made in the consolidated financial statements.

Port-of-Spain
TRINIDAD
March 6, 2014

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Partners Ainsley A. Mark | Michael G. Toney | Renéé-Lisa Phillip | Mark K. Superville

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2013

	Notes	2013 \$'000	2012 \$'000
Current assets	4	594,054	673,981
Deferred tax assets	5	1,034	2,038
Investment in associates	6	1,572	1,973
Financial assets	7	1,357,312	1,189,708
Investment properties	8	103,850	103,850
Property, plant and equipment	9	<u>214,158</u>	<u>212,643</u>
Total Assets		<u>2,271,980</u>	<u>2,184,193</u>
Financed By:			
Current liabilities	10	177,197	183,340
Long term borrowings	11	258,631	277,727
Deferred tax liabilities	5	25,473	21,798
Insurance contracts liabilities	12	<u>1,330,641</u>	<u>1,259,321</u>
Total Liabilities		<u>1,791,942</u>	<u>1,742,186</u>
Stated capital	13	10,871	10,871
Capital reserve	14	93,953	91,629
Catastrophe reserve	15	18,254	16,707
General reserve	16	12,934	20,509
Investment revaluation reserve	17	902	901
Statutory reserves	18	38,317	33,985
Retained earnings		<u>237,647</u>	<u>203,183</u>
Equity attributable to Shareholders of the Company		412,878	377,785
Non-controlling interests	19	<u>67,160</u>	<u>64,222</u>
Total Equity		<u>480,038</u>	<u>442,007</u>
Total Liabilities and Equity		<u>2,271,980</u>	<u>2,184,193</u>

These financial statements were approved by the Board of Directors and authorised for issue on March 6, 2014 and are signed on their behalf by:


 Director


 Director

The notes on pages 12 to 74 form part of these financial statements.

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

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013

	Notes	2013 \$'000	2012 \$'000
Revenue			
Premium income		359,377	336,876
Reinsurance recoveries		6,756	26,774
Investment income	20	105,535	111,287
Other income	21	<u>65,606</u>	<u>61,740</u>
		<u>537,274</u>	<u>536,677</u>
Expenses			
Policyholders' benefits	22	201,703	244,888
Reinsurance premiums		81,557	68,529
Interest on deposits and borrowings		13,159	15,386
Other direct costs	23	86,999	83,299
Expenses of management	24	<u>103,094</u>	<u>96,166</u>
		<u>486,512</u>	<u>508,268</u>
Operating Surplus		50,762	28,409
Share of results of associates		<u>(400)</u>	<u>(1,044)</u>
Surplus before taxation		50,362	27,365
Taxation	25	<u>14,946</u>	<u>11,451</u>
Surplus after taxation		<u><u>35,416</u></u>	<u><u>15,914</u></u>
Surplus attributable to:			
Shareholders of the company		34,764	12,984
Non-controlling interests		<u>652</u>	<u>2,930</u>
		<u><u>35,416</u></u>	<u><u>15,914</u></u>

The notes on pages 12 to 74 form part of these financial statements.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013

	Notes	2013 \$'000	2012 \$'000
Surplus after taxation		<u>35,416</u>	<u>15,914</u>
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Share of investment revaluation reserve of associates		<u>1</u>	<u>901</u>
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Foreign exchange loss		(285)	(62)
Actuarial gain		4,598	1,352
Revaluation surplus		<u>2,324</u>	<u>14,264</u>
		<u>6,637</u>	<u>15,554</u>
Other comprehensive income for the year		<u>6,638</u>	<u>16,455</u>
Total comprehensive income for the year		<u><u>42,054</u></u>	<u><u>32,369</u></u>
Total comprehensive income attributable to:			
Shareholders of the company		39,116	28,794
Non-controlling interests		<u>2,938</u>	<u>3,575</u>
		<u><u>42,054</u></u>	<u><u>32,369</u></u>

The notes on pages 12 to 74 form part of these financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013

	Stated capital \$'000	Capital reserve \$'000	Catastrophe reserve \$'000	General reserve \$'000	Investment revaluation reserve \$'000	Statutory reserves \$'000	Retained earnings \$'000	Shareholders' equity \$'000	Non- controlling interests \$'000	Total equity \$'000
Balance at December 31, 2012	<u>10,871</u>	<u>91,629</u>	<u>16,707</u>	<u>20,509</u>	<u>901</u>	<u>33,985</u>	<u>203,183</u>	<u>377,785</u>	<u>64,222</u>	<u>442,007</u>
Surplus after taxation	-	-	-	-	-	-	34,764	34,764	652	35,416
Other comprehensive income	-	<u>2,324</u>	-	-	<u>1</u>	-	<u>2,027</u>	<u>4,352</u>	<u>2,286</u>	<u>6,638</u>
Total comprehensive income	-	2,324	-	-	1	-	36,791	39,116	2,938	42,054
Dividends paid - 2012 (22¢)	-	-	-	-	-	-	(2,392)	(2,392)	-	(2,392)
Dividends paid - 2013 (15¢)	-	-	-	-	-	-	(1,631)	(1,631)	-	(1,631)
Transfers from retained earnings	-	-	<u>1,547</u>	<u>(7,575)</u>	-	<u>4,332</u>	<u>1,696</u>	-	-	-
	-	<u>2,324</u>	<u>1,547</u>	<u>(7,575)</u>	<u>1</u>	<u>4,332</u>	<u>34,464</u>	<u>35,093</u>	<u>2,938</u>	<u>38,031</u>
Balance at December 31, 2013	<u>10,871</u>	<u>93,953</u>	<u>18,254</u>	<u>12,934</u>	<u>902</u>	<u>38,317</u>	<u>237,647</u>	<u>412,878</u>	<u>67,160</u>	<u>480,038</u>
Balance at December 31, 2011	<u>10,871</u>	<u>77,365</u>	<u>14,920</u>	<u>20,210</u>	-	<u>31,385</u>	<u>196,632</u>	<u>351,383</u>	<u>1</u>	<u>351,384</u>
Surplus after taxation	-	-	-	-	-	-	12,984	12,984	2,930	15,914
Other comprehensive income	-	<u>14,264</u>	-	-	<u>901</u>	-	<u>645</u>	<u>15,810</u>	<u>645</u>	<u>16,455</u>
Total comprehensive income	-	14,264	-	-	901	-	13,629	28,794	3,575	32,369
Non-controlling interests in subsidiary acquired during the year	-	-	-	-	-	-	-	-	60,646	60,646
Dividends paid - 2011 (22¢)	-	-	-	-	-	-	(2,392)	(2,392)	-	(2,392)
Transfers from retained earnings	-	-	<u>1,787</u>	<u>299</u>	-	<u>2,600</u>	<u>(4,686)</u>	-	-	-
	-	<u>14,264</u>	<u>1,787</u>	<u>299</u>	<u>901</u>	<u>2,600</u>	<u>6,551</u>	<u>26,402</u>	<u>64,221</u>	<u>90,623</u>
Balance at December 31, 2012	<u>10,871</u>	<u>91,629</u>	<u>16,707</u>	<u>20,509</u>	<u>901</u>	<u>33,985</u>	<u>203,183</u>	<u>377,785</u>	<u>64,222</u>	<u>442,007</u>

The notes on pages 12 to 74 form part of these financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 \$'000	2012 \$'000
Cash Flows from Operating Activities		
Surplus before taxation	50,362	27,365
Adjustments for:		
Depreciation (net)	9,258	8,608
Gains and losses	(32,635)	(24,860)
Share of loss of associated company	402	1,047
Increase in insurance contracts liabilities	<u>72,082</u>	<u>73,583</u>
Operating surplus before working capital changes	99,469	85,743
Change in receivables	14,797	(487)
Change in customers' deposits	(2,399)	(45,197)
Change in other funding instruments	25	15,128
Change in other payables	<u>(4,119)</u>	<u>(394)</u>
Cash generated from operations	107,773	54,793
Dividends paid to policyholders	(762)	(636)
Corporation taxes paid (net)	<u>(9,212)</u>	<u>(8,214)</u>
Net cash generated from operating activities	<u>97,799</u>	<u>45,943</u>
Cash Flows from Investing Activities		
Sale/redemption of financial assets	44,497	117,112
Sale of property, plant and equipment	588	1,297
Change in loans and receivables	30,078	55,445
Net assets of subsidiary acquired	-	80,595
Purchase of other financial assets	(215,379)	(44,564)
Purchase of investment properties	-	(5,850)
Purchase of property, plant and equipment	<u>(9,037)</u>	<u>(6,337)</u>
Net cash generated (used in)/from investing activities	<u>(149,253)</u>	<u>197,698</u>
Cash Flows from Financing Activities		
Repayment of borrowings	(22,263)	(33,135)
Dividends paid to shareholders	<u>(4,023)</u>	<u>(2,392)</u>
Net cash used in financing activities	<u>(26,286)</u>	<u>(35,527)</u>
Net change in cash and cash equivalents	(77,740)	208,114
Cash and cash equivalents		
- at beginning of year	<u>410,844</u>	<u>202,730</u>
- at end of year (Note 26)	<u><u>333,104</u></u>	<u><u>410,844</u></u>

The notes on pages 12 to 74 form part of these financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

1. Incorporation and Principal Activity

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

2. Summary of Significant Accounting Policies

a) Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and are stated in thousands of Trinidad and Tobago dollars. They have been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss, available for sale financial assets, and land and buildings.

The accounting policies used are consistent with those of the previous years.

b) New Accounting Standards and Interpretations

- i) The Group has applied the following standards and amendments, which became effective during the current accounting period; these require additional disclosures in the financial statements without restatement of previous financial statements:

IFRS 7	Financial Instruments: Disclosures – Amendments enhancing disclosures about offsetting financial assets and liabilities
IFRS 10	Consolidated Financial Statements
IFRS 12	Disclosure of Interests in Other entities
IFRS 13	Fair Value Measurements
IAS 1	Presentation of Financial Statements – Amendments to revise presentation of items of other comprehensive income
IAS 19	Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects
IAS 27	Separate Financial Statements
IAS 28	Investments in Associates and Joint Ventures

Several other amendments apply for the first time in 2013. However, they do not impact the annual financial statements of the Group.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

2. Summary of Significant Accounting Policies (Continued)

b) New Accounting Standards and Interpretations (continued)

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

Effective for annual periods beginning on or after 1 January 2013

IFRS 1	First-time Adoption of International Financial Reporting Standards – Government Loans
IFRS 11	Joint Arrangements
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

- iii) The Group has not early applied the following standards, revised standards and interpretations which are in issue but not yet effective:

Effective for annual periods beginning on or after 1 January 2014

IAS 32	Financial Instruments: Presentation – Amendments to application guidance on the offsetting of financial assets and financial liabilities
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Effective for annual periods beginning on or after 1 January 2015

IFRS 7	Financial Instruments: Disclosures – Amendments requiring disclosures about the initial application of IFRS 9
IFRS 9	Financial Instruments – Classification and measurement of financial assets
IFRS 9	Financial Instruments – Accounting for financial liabilities and derecognition

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

2. Summary of Significant Accounting Policies (Continued)

c) Comparative figures

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

d) Basis of consolidation

i) Subsidiaries

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

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

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

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

On October 06, 2011 the Group invested \$50 million in non-cumulative, non-voting convertible preference shares of Development Finance Limited. During the previous year, \$30 million of these preference shares were converted into ordinary shares, representing a 49.75% interest. The option to convert the balance of \$20 million can be exercised at anytime, at the Group's discretion. The company's financial statements were prepared as at December 31, 2013 and were audited by KPMG Chartered Accountants, Port-of-Spain, Trinidad.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

2. Summary of Significant Accounting Policies (Continued)

d) Basis of consolidation (continued)

i) Subsidiaries (continued)

	2012
	\$'000
Details of the acquisition were as follows:	
Total assets acquired	482,291
Total liabilities assumed	<u>(369,108)</u>
Net assets acquired	113,183
Non-controlling interests	(60,646)
Purchase consideration	<u>(50,000)</u>
Gain on acquisition	<u><u>2,537</u></u>
Revenue and surplus included in these financial statements for 2012 were as follows:	
Total Revenue	<u><u>28,492</u></u>
Surplus after taxation	5,748
Foreign exchange loss	(62)
Actuarial gain	<u>1,352</u>
Total comprehensive income	<u><u>7,038</u></u>

There were no disposals of subsidiaries during the year. On October 30 2013, the shareholders of Development Finance Limited agreed to commence procedures to liquidate DFLSA Incorporated.

A listing of the subsidiaries, their principal activities and place of incorporation is given in Note 37.

ii) Non-controlling interests

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

iii) Associates

Associates are all entities over which the Group has significant influence i.e. the power to participate in the financial and operating policy decisions but is not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights, and that is neither a subsidiary nor an interest in a joint venture. Investments in associates are accounted for using the equity method. Under the equity method the investments in associates are stated at cost plus the post acquisition changes in the Group's share of the associate's net assets, less any impairment in value. The Group's share of the results of operations of the associates, are included in profit or loss, whereas the Group's share of the other comprehensive income of the associates, are included in other comprehensive income. Information on the Group's Associates is given in Note 6.

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(Maritime Life (Caribbean) Limited and its subsidiaries)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

2. Summary of Significant Accounting Policies (Continued)

e) Cash and cash equivalents

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

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

f) Inventories

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

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

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

g) Land development

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

h) Financial instruments

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

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

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2. Summary of Significant Accounting Policies (Continued)

i) Financial assets

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

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

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

The Group classifies, at the time of initial recognition, financial assets into the following categories depending on the nature and purpose of the assets: financial assets at fair value through profit or loss, available for sale financial assets, held to maturity investments and loans and receivables. Management re-evaluates these classifications at each reporting date.

i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets held for trading and those so designated.

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the near future or if they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short term profit taking. The Group does not currently have any financial assets classified as held for trading.

Financial assets are classified as at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise (an accounting mismatch) or a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to the Group's key management personnel. Financial assets included in this classification support those long term insurance contracts that contain an investment element.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. Summary of Significant Accounting Policies (Continued)

i) Financial assets (continued)

i) Financial assets at fair value through profit or loss (continued)

Financial assets are not reclassified into or out of the fair value through profit or loss category while they are held.

Investments in quoted securities are stated at fair values based on quoted market prices without deduction of transaction costs. Gains and losses arising from changes in fair values are recognised in profit or loss in the period in which they arise.

ii) Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are so designated or not classified in any of the other categories. They are intended to be held for an undefined period of time, but may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Investments in quoted securities are stated at fair values based on quoted market prices without deduction of transaction costs. Gains and losses arising from changes in fair values are recognised in other comprehensive income except for impairment losses and foreign exchange gains and losses. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less provision for impairment.

Interest income is calculated using the effective interest rate method and dividends are recognised in profit or loss when the shareholders' right to receive the dividend is established.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. Summary of Significant Accounting Policies (Continued)

i) Financial assets (continued)

iii) Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, purchased with the positive intention and ability to hold to maturity. They are stated at amortised cost using the effective interest rate method less provision for impairment.

Interest income is recognised in profit or loss on an effective yield basis. Gains or losses are recognised in profit or loss when the financial asset is derecognised or impaired and through the amortisation process.

Whenever there are sales or reclassification of more than an insignificant amount of held to maturity investments before maturity date (more than insignificant in relation to the total amount of held to maturity investments), any remaining held to maturity investments are reclassified as available for sale. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification: sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value; sales or reclassifications after the Group has collected substantially all of the asset's original principal; and sales or reclassifications that are attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These comprise policy loans, automatic premium loans, mortgage loans and other loans.

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

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

Mortgage loans are secured by residential and commercial properties whereas loans to small and medium enterprises and other loans are secured by various forms of collateral, including charges over tangible assets, hire purchase agreements, certificates of deposit, assignment of funds and personal guarantees.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. Summary of Significant Accounting Policies (Continued)

j) Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- i) Significant financial difficulty of the issuer or obligor.
- ii) A breach of contract, such as default or delinquency in interest or principal payments.
- iii) It becoming probable that the borrower will enter in bankruptcy or other financial reorganisation.
- iv) The disappearance of an active market for that financial asset because of financial difficulties.
- v) Observable data indicating that there is a measurable decrease in the estimated cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with individual financial assets in the group, including adverse changes in the payment status of borrowers in the group or national or economic conditions that correlate with defaults on assets in the group.
- vi) For investments in equity instruments, information about significant changes with an adverse effect, that have taken place in the technological, market, economic or legal environment in which the issuer operates which indicates that the cost of the investment may not be recovered, as well as a significant and prolonged decline in fair value of an investment in an equity instrument below its cost.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. Summary of Significant Accounting Policies (Continued)

j) Impairment of financial assets (continued)

Impairment losses are recorded in an allowance account and are measured and recognised as follows:

i) Financial assets measured at amortised cost

The difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improvement in the debtor's credit rating), the previously recognised loss is reversed to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised at the date that the impairment is reversed. The amount of the reversal is recognised in profit or loss.

ii) Financial assets measured at cost

The difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the current market's rate of return for similar financial assets is recognised in profit or loss. These losses are not reversed.

iii) Available for sale financial assets

The cumulative loss recognised in other comprehensive income, (representing the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss), is reclassified from equity to profit or loss as a reclassification adjustment even though the financial assets has not been derecognised. These losses are not reversed.

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2. Summary of Significant Accounting Policies (Continued)

k) Investment properties

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

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

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

After initial recognition investment properties are measured at fair values. Fair values are based on independent professional open market valuations that are conducted at least once every three years. The last valuations were done in 2012. Gains and losses arising from changes in fair values are included in profit or loss in the period in which they arise.

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

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

l) Property, plant and equipment

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

2. Summary of Significant Accounting Policies (Continued)

l) Property, plant and equipment (continued)

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

Fair values are based on independent professional open market valuations that are conducted at least once every three to five years. The last valuations were done in 2009, 2012 and 2013. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the property and the net amount is restated to the revalued amount.

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

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

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

Buildings	2% per annum
Furniture/equipment	8.33-25% per annum
Motor vehicles	25% per annum
Equipment on lease	10-50% per annum

Land is not depreciated.

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

m) Financial liabilities

When financial liabilities are recognised initially, they are measured at fair value of the consideration given net of transaction costs directly attributable to the acquisition of the liability. Financial liabilities are re-measured at amortised cost using the effective interest method.

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

Financial liabilities comprise accounts payable, bank overdrafts, customer deposits, other funding instruments and long term borrowings.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. Summary of Significant Accounting Policies (Continued)

n) Provisions

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

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

o) Insurance contracts

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

Insurance risk is risk other than financial risk transferred from the policyholder to the Group. Investment contracts transfer financial risk but not insurance risk. Financial risk is the risk of a possible future change in either a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

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

Uncertainty under insurance contracts arises as to whether an insured event will occur, when it will occur or how much will be payable if it occurs.

Significant additional benefits are amounts that exceed those that would be payable if no insured event occurred.

- ii) Once a contract has been classified as an insurance contract it remains an insurance contract until all rights and obligations are extinguished or expire.

The liability under an insurance contract is removed from the consolidated statement of financial position when and only when, it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. Summary of Significant Accounting Policies (Continued)

p) Long term insurance contracts

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

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

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

- ii) The liabilities arising from long term insurance contracts include provisions for future policy benefits and provisions for outstanding claims.
- iii) Long term insurance contracts are valued using the Premium Policy Method ("PPM") for traditional insurances and fund value for insurance contracts with fund accumulations.

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

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

The valuation by the Appointed Actuary at December 31, 2013 revealed a surplus before tax amounting to \$14,267,000 (2012: \$9,035,000), of which \$13,821,000 (2012: \$8,405,000) is allocated to shareholders and \$446,000 (2012: \$630,000) is allocated to "participating" policyholders.

- iv) Provisions for outstanding claims comprise the estimated cost of all claims and claims expenses incurred but not settled at the year-end date. Provisions are also made for claims and claims expenses incurred in 2013 but not reported until after the year-end date. Differences between the provisions for outstanding claims and claims expenses and subsequent settlements and revisions are included in profit or loss in later years.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. Summary of Significant Accounting Policies (Continued)

q) Short term insurance contracts

i) Short term insurance contracts generally run for a period of twelve months and are subject to review and renewal at the end of that period. These contracts include property, motor, liability, marine, pecuniary loss and personal accident insurance contracts.

ii) The liabilities arising from short term insurance contracts include provisions for unearned premiums, unexpired risks and outstanding claims.

iii) Provisions for unearned premiums

Provisions for unearned premiums represent the proportions of the premiums written in the year which relate to periods of insurance subsequent to the reporting date and are computed on the daily pro-rata fractional basis - the "365ths" method, except for mortgage indemnity, contractors all risk, erection all risk and performance bond business (some of which carry a policy period in excess of twelve months). The unearned premiums on these policies are pro-rated over the periods of the guarantees/policies.

iv) Provisions for unexpired risks

Provisions for unexpired risks represent amounts set aside at the year-end, in addition to unearned premiums, in respect of the subsequent risks to be borne by the Group under insurance contracts in force at the year-end and are computed as a percentage of unearned premiums.

v) Provisions for outstanding claims

Provisions for outstanding claims comprise the estimated cost of all claims and claims expenses incurred but not settled at the year-end date. Provisions are also made for claims and claims expenses incurred in 2013 but not reported until after the year-end date. Differences between the provisions for outstanding claims and claims expenses and subsequent settlements and revisions are included in profit or loss in later years.

vi) Catastrophe reserves

Amounts set aside for catastrophe reserves are included in equity.

r) Liability adequacy test

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

The Liability Adequacy Test required by IFRS 4 has been performed in respect of Insurance Contracts in-force as at December 31, 2013. The results of the sensitivity testing, within the liability adequacy test, are shown in Note 31 (a) (ii).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. Summary of Significant Accounting Policies (Continued)

s) Impairment of reinsurance assets

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

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

t) Revenue recognition

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

Premiums on life and annuity policies that became due within the last thirty days but not collected at the reporting date are shown as outstanding premiums. Premiums that are not collected within thirty days of the due date are advanced as automatic premium loans on the security of the cash surrender values of the respective policies, or the policies lapse or expire.

Premiums due on short term insurance policies are accounted for upon issuance or renewal of the respective policies and include amounts due from brokers and agents. These premiums are recognised as revenue on a pro-rata basis over the period of coverage of the respective policy.

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

ii) Investment and other income derived from long term insurance business is allocated to policyholders, whilst that derived from short term insurance and other operations is allocated to shareholders.

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. Summary of Significant Accounting Policies (Continued)

t) Revenue recognition (continued)

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

Leases which do not transfer substantially all the risks and rewards incidental to ownership are classified as operating leases. Assets leased under operating leases include land and buildings classified as investment properties and owner occupied properties, as well as motor vehicles and other equipment categorised as equipment on lease and included in property, plant and equipment. The lease terms range from three to five years.

- vii)** Revenue from the sale of goods is recognised upon delivery and stated net of discounts and value added tax.

- viii)** Miscellaneous income comprises fees and other sundry income.

u) Policyholders' benefits

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

- ii)** Maturities and annuities are accounted for when due.

- iii)** Claims arising from short term insurance contracts are recorded as an expense when they are incurred and are stated net of recoveries from subrogations and salvages. Subrogations are accounted for when received, whereas salvages are accounted for when the damaged properties (usually motor vehicle wrecks) are sold.

v) Reinsurance premiums and recoveries

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

- ii)** Premiums ceded on short term insurance contracts are expensed on a pro-rata basis over the term on the respective policy coverage or of the respective reinsurance contract as appropriate. Reinsurance claim recoveries are established at the time of the recording of the claim liability.

- iii)** Profit sharing commissions due to the Group are only recognised as commission income when there is reasonable certainty of collectibility.

w) Other direct costs

- i)** Commissions payable are recognised on settlement of the respective premiums.

- ii)** Other costs include underwriting expenses and other direct expenses related to the retail operations.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

2. Summary of Significant Accounting Policies (Continued)

x) Expenses of management

i) Employee benefits

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

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

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

ii) Post-employment benefits

The Group has two pension plans.

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

The subsidiary, Development Finance Limited, operates a defined benefit plan for its employees. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

2. Summary of Significant Accounting Policies (Continued)

x) Expenses of management (continued)

ii) Post-employment benefits (continued)

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

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

iii) Other administrative expenses

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

y) Foreign currencies

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

z) Taxation

- i)** Deferred taxation is provided using the liability method for all temporary differences between the carrying amounts and tax bases of assets and liabilities using current corporation tax rates. The principal temporary differences arise from tax losses carried forward, depreciation of property, plant and equipment, unrealised gain/losses, and amounts credited directly to equity. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.
- ii)** Corporation tax is charged annually at 15% of investment and other income relating to long term insurance funds (other than approved pension plans) less investment expenses allowable in relation thereto. A further 10% corporation tax is chargeable on net surpluses arising from the annual actuarial valuations, when these are transferred to shareholders.
- iii)** The profits of Development Finance Limited are exempt from taxation under the Corporation Tax Act, Chapter 75:02 as amended, but the company is required to pay Green Fund Levy.

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2. Summary of Significant Accounting Policies (Continued)

z) Taxation (continued)

- iv) Corporation tax is charged annually at 25% in respect of surpluses from short term insurance and other operations.

aa) Administered funds

The assets and liabilities under administration by the Group have not been included in these financial statements. Gross assets under administration amounted to \$22,477,000 at December 31, 2013 (2012: \$26,024,000).

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

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

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

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

b) Critical judgements

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

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

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

c) **Key assumptions**

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

i) **Fair values**

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

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

ii) **Impairment of assets**

Management assesses at each reporting date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over the recoverable amount.

iii) **Deferred tax assets**

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

iv) **Property, plant and equipment**

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

v) **Long term insurance contracts liabilities**

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

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

c) Key assumptions (continued)

vi) Short term insurance contracts liabilities

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

	2013	2012
	\$'000	\$'000
4. <u>Current Assets</u>		
Cash and bank balances	122,004	122,292
Short term investments	211,100	288,552
Central Bank reserve account	5,655	5,956
Accounts receivable and prepayments	25,485	29,354
Outstanding premiums	8,423	6,654
Reinsurance assets	104,146	107,728
Inventories	3,164	3,517
Land development	84,937	84,937
Taxation recoverable	2,069	2,774
Retirement benefit asset	<u>27,071</u>	<u>22,217</u>
	<u>594,054</u>	<u>673,981</u>
a) Short term investments - Concentration:		
Deposits with licensed banks and financial institutions	116,029	233,605
Treasury bills	<u>95,071</u>	<u>54,947</u>
	<u>211,100</u>	<u>288,552</u>

b) Central Bank reserve account

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

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	2013 \$'000	2012 \$'000
4. <u>Current Assets (Continued)</u>		
c) Accounts receivable (continued)		
i) Balances outstanding:		
Accrued investment income	9,410	10,765
Brokers and agents balances	4,918	5,822
Other receivables	<u>29,261</u>	<u>39,685</u>
	43,589	56,272
Less: impairment provision	<u>(18,104)</u>	<u>(26,918)</u>
	<u>25,485</u>	<u>29,354</u>
ii) Impairment provision:		
Balance brought forward	26,918	17,485
Provision for the year	(9,258)	9,433
Write offs for the year	<u>444</u>	<u>-</u>
	<u>18,104</u>	<u>26,918</u>
iii) Brokers and agents balances:		
Aged analysis		
Up to 30 days	3,160	3,078
31 to 45 days	1,216	1,186
Over 45 days	<u>542</u>	<u>1,558</u>
	<u>4,918</u>	<u>5,822</u>
d) Reinsurance assets		
i) Amounts due from reinsurers	<u>603</u>	<u>790</u>
Other amounts		
Long term insurance contracts	37,681	31,442
Reinsurers share of:		
Outstanding claims	38,258	47,644
Claims incurred but not reported	6,769	6,860
Unearned premiums	19,381	19,527
Unexpired risks	<u>1,454</u>	<u>1,465</u>
	<u>103,543</u>	<u>106,938</u>
Total	<u>104,146</u>	<u>107,728</u>

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	2013 \$'000	2012 \$'000
4. <u>Current Assets (Continued)</u>		
d) Reinsurance assets (continued)		
ii) Reconciliation		
Amounts due from reinsurers		
Balance brought forward	790	791
Recoverable for the year	6,756	26,774
Payments received during the year	<u>(6,943)</u>	<u>(26,775)</u>
Other amounts	<u>603</u>	<u>790</u>
Balance brought forward	106,938	114,911
Increases in:		
Long term insurance contracts	6,239	10,172
Outstanding claims	(9,386)	(12,820)
Claims incurred but not reported	(91)	(3,384)
Unearned premiums	(146)	(1,806)
Unexpired risks	<u>(11)</u>	<u>(135)</u>
	<u>103,543</u>	<u>106,938</u>
	<u><u>104,146</u></u>	<u><u>107,728</u></u>
e) Retirement Benefit Asset		
The amounts recognised in the statement of financial position are as follows:		
Present value of obligation	(29,090)	(29,343)
Fair value of plan assets	<u>56,161</u>	<u>51,560</u>
Asset in the statement of financial position	<u><u>27,071</u></u>	<u><u>22,217</u></u>
i) Movement of amounts recognised in the statement of financial position:		
Asset recognised in the statement of financial position January 1	22,217	21,384
Income/(expenses) recognised in profit or loss	256	(519)
Actuarial gains recognised in other comprehensive income	<u>4,598</u>	<u>1,352</u>
Asset in the statement of financial position	<u><u>27,071</u></u>	<u><u>22,217</u></u>

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4. Current Assets (Continued)

e) Retirement Benefit Asset (continued)

	2013 \$'000	2012 \$'000
ii) The amounts recognised in the statement of income are as follows:		
Current service cost	834	1,153
Interest cost	1,451	1,610
Expected return on assets	(2,541)	(2,963)
Past Service Cost - vested benefits	-	719
	<u>-</u>	<u>719</u>
Total included in employee benefits (Note 24)	<u>(256)</u>	<u>519</u>
Expected return on plan assets	2,541	2,963
Actuarial gain on plan assets	<u>3,559</u>	<u>4,421</u>
Actual return on plan assets	<u>6,100</u>	<u>7,384</u>
iii) Changes in the fair value of Plan assets		
Opening fair value of plan assets	51,560	47,005
Expected return on plan assets	2,541	2,963
Benefits paid	(1,499)	(2,829)
Actuarial gain on plan assets	<u>3,559</u>	<u>4,421</u>
Closing fair value of plan assets	<u>56,161</u>	<u>51,560</u>
iv) Changes in the present value of the obligation		
Opening present value of obligation	29,343	25,621
Current service cost	834	1,153
Interest cost	1,451	1,610
Benefits paid	(1,499)	(2,829)
Past Service Cost - vested benefits	-	719
Actuarial (gain)/loss	<u>(1,039)</u>	<u>3,069</u>
Closing fair value of obligation	<u>29,090</u>	<u>29,343</u>

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4. Current Assets (Continued)

e) Retirement Benefit Asset (continued)

	2013	2012
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v) The principal actuarial assumptions used were:

Discount rate	5.00%	5.00%
Future salary increases	5.00%	5.00%
Expected return on plan assets	3.00%	5.00%

vi) Post retirement mortality:

Group annuitants mortality table 1994

Pre-retirement mortality, withdrawal from service	Nil	Nil
Future pension increases	Nil	Nil
Proportion of employees opting for early retirement	Nil	Nil

The overall expected rate of return is the weighted average of the expected returns of the expected various categories of plan assets held.

The major categories of the plan assets are:

Local equities	40%	40%
Government securities	32%	28%
Mutual Funds	2%	5%
Other	26%	27%

viii) Defined benefit pension plan

Amounts for the current period are as follows:

	2013 \$'000	2012 \$'000	2011 \$'000	2010 \$'000	2009 \$'000
Defined benefit obligation	(29,090)	(29,343)	(25,621)	(25,287)	(22,795)
Plan assets	56,161	51,560	47,005	42,438	42,511
Surplus	<u>27,071</u>	<u>22,217</u>	<u>21,384</u>	<u>17,151</u>	<u>19,716</u>
Experience adjustments on plan liabilities gain	<u>(1,039)</u>	<u>(2,452)</u>	<u>(1,038)</u>	<u>(140)</u>	<u>(243)</u>
Experience adjustments on plan assets gain/(loss)	<u>3,559</u>	<u>4,421</u>	<u>2,928</u>	<u>77</u>	<u>(414)</u>

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	2013 \$'000	2012 \$'000
5. <u>Deferred Taxation</u>		
Deferred tax assets	1,034	2,038
Deferred tax liabilities	<u>(25,473)</u>	<u>(21,798)</u>
Net deferred tax liabilities	<u><u>(24,439)</u></u>	<u><u>(19,760)</u></u>
a) Movements for the year		
Balance brought forward	(19,760)	(15,995)
Acquisition of subsidiary	-	109
Provision for the year	<u>(4,679)</u>	<u>(3,874)</u>
	<u><u>(24,439)</u></u>	<u><u>(19,760)</u></u>
6. <u>Investment in Associates</u>		
Shares at cost	3,460	3,460
Impairment loss	(1,341)	(1,341)
Share of post acquisition loss	(1,449)	(1,047)
Share of post acquisition other comprehensive income	<u>902</u>	<u>901</u>
	<u><u>1,572</u></u>	<u><u>1,973</u></u>
a) Movements for the year		
Balance brought forward	1,973	-
Acquisition of subsidiary	-	2,119
Share of loss	(402)	(1,047)
Share of other comprehensive income	<u>1</u>	<u>901</u>
	<u><u>1,572</u></u>	<u><u>1,973</u></u>
b)	AIC Securities Limited was incorporated in the Republic of Trinidad and Tobago and its principal activity is that of a stockbroker, trading in bonds, shares and other securities. The company is registered with the Securities and Exchange Commission and is also a member firm of the Trinidad and Tobago Stock Exchange Limited. The company's financial statements were prepared as at September 30, 2013 and were audited by BDO Chartered Accountants, Port of Spain, Trinidad. The Group has a 25.00% interest in this company.	

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6. Investment in Associates (Continued)

Summarised financial information in respect of the investment in associates is as follows:

	2013 \$'000	2012 \$'000
Total assets	17,150	17,120
Total liabilities	<u>10,862</u>	<u>9,228</u>
Net Assets	<u>6,288</u>	<u>7,892</u>
Total income	<u>2,059</u>	<u>1,112</u>
Net loss after taxation	(1,606)	(4,187)
Other comprehensive income	<u>2</u>	<u>3,602</u>
Total comprehensive loss	<u>(1,604)</u>	<u>(585)</u>

7. Financial Assets

Investment securities

Financial assets at fair value through profit or loss	236,486	218,144
Available for sale financial assets	100	100
Held to maturity investments	<u>748,417</u>	<u>578,941</u>
	<u>985,003</u>	<u>797,185</u>

Loans and receivables

Policy and automatic premium loans	47,179	44,929
Mortgages and other loans	<u>325,130</u>	<u>347,594</u>
	<u>372,309</u>	<u>392,523</u>
Total	<u>1,357,312</u>	<u>1,189,708</u>

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7. <u>Financial Assets (Continued)</u>	2013	2012
	\$'000	\$'000
a) Fair values		
i) By financial asset classification		
Financial assets at fair value through profit or loss	236,486	218,144
Available for sale financial assets	100	100
Held to maturity investments	835,918	652,742
Loans and receivables	<u>363,308</u>	<u>379,412</u>
	<u>1,435,812</u>	<u>1,250,398</u>
ii) By level of hierarchy		
Level 1	169,244	125,338
Level 2	903,154	736,993
Level 3	<u>363,414</u>	<u>388,067</u>
	<u>1,435,812</u>	<u>1,250,398</u>
b) Investment securities – Concentration		
Government/Government guaranteed bonds	585,937	492,916
Financial institutions	178,001	147,415
Other Corporate bonds	51,721	31,416
Equities	<u>169,344</u>	<u>125,438</u>
	<u>985,003</u>	<u>797,185</u>
c) Sinking fund investments (Note 11(d))	<u>102,050</u>	<u>93,144</u>
d) Investment securities – Bonds		
i) Contracted maturity		
Up to one year	112,940	21,937
Two to five years	258,701	272,083
Over five years	<u>444,018</u>	<u>377,727</u>
	<u>815,659</u>	<u>671,747</u>
ii) Range of interest rates	%	%
	per annum	per annum
Up to one year	3.04 - 12.00	6.75 - 10.88
Two to five years	1.25 - 12.00	3.75 - 12.00
Over five years	3.97 - 10.18	4.63 - 12.00

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	2013 \$'000	2012 \$'000
7. <u>Financial Assets (Continued)</u>		
e) Investment securities – Unquoted equities		
i) At cost	14,258	14,258
Less: impairment provision	<u>14,158</u>	<u>14,158</u>
	<u><u>100</u></u>	<u><u>100</u></u>
ii) Impairment provision		
Balance brought forward	14,158	14,158
Provision for the year	<u>-</u>	<u>-</u>
	<u><u>14,158</u></u>	<u><u>14,158</u></u>
f) Policy and automatic premium loans		
Policy loans	23,042	22,551
Automatic premium loans	22,767	21,085
Accrued interest	<u>1,370</u>	<u>1,293</u>
	<u><u>47,179</u></u>	<u><u>44,929</u></u>
g) Mortgages and other loans		
i) Mortgage loans	102,248	110,003
Loans to small and medium-sized enterprises	114,435	146,425
Other loans	<u>108,942</u>	<u>95,872</u>
	325,625	352,300
Less: impairment provision	<u>(495)</u>	<u>(4,706)</u>
	<u><u>325,130</u></u>	<u><u>347,594</u></u>
ii) Impairment provision:		
Balance brought forward	4,706	8,195
Provision for the year	(2,590)	(721)
Write offs and adjustments	<u>(1,621)</u>	<u>(2,768)</u>
	<u><u>495</u></u>	<u><u>4,706</u></u>

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	2013 \$'000	2012 \$'000
7. <u>Investment Properties</u>		
g) Mortgages and other loans (continued)		
iii) Concentration - sectoral analysis:		
Consumer	123,722	116,984
Commercial and industrial	130,662	143,482
Tourism	60,370	65,789
Other	<u>10,376</u>	<u>21,339</u>
	<u>325,130</u>	<u>347,594</u>
iv) Credit quality:		
Individually impaired	68,770	70,351
Past due but not impaired	42,635	27,910
Neither past due nor impaired	<u>213,725</u>	<u>249,333</u>
	<u>325,130</u>	<u>347,594</u>
8. <u>Investment Properties</u>		
At beginning of year	103,850	100,540
Additions	-	5,850
Fair value losses	<u>-</u>	<u>(2,540)</u>
	<u>103,850</u>	<u>103,850</u>
a) Rental income	<u>4,009</u>	<u>4,053</u>
b) Direct operating expenses	<u>905</u>	<u>756</u>

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9. Property, Plant and Equipment

	Properties \$'000	Furniture/ Equipment \$'000	Motor Vehicles \$'000	Equipment on lease \$'000	Total \$'000
December 31, 2013					
Cost/Valuation					
At beginning of year	198,134	85,037	6,143	22,545	311,859
Additions	-	2,205	1,606	5,226	9,037
Disposals	(48)	(144)	(761)	(5,866)	(6,819)
Revaluation	<u>1,799</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,799</u>
	<u>199,885</u>	<u>87,098</u>	<u>6,988</u>	<u>21,905</u>	<u>315,876</u>
Accumulated depreciation					
At beginning of year	1,768	75,859	5,298	16,291	99,216
Charge for the year	2,866	2,833	874	2,521	9,094
Disposals	-	-	(761)	(5,306)	(6,067)
Revaluation	<u>(525)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(525)</u>
	<u>4,109</u>	<u>78,692</u>	<u>5,411</u>	<u>13,506</u>	<u>101,718</u>
Net book value					
At December 31, 2013	<u><u>195,776</u></u>	<u><u>8,406</u></u>	<u><u>1,577</u></u>	<u><u>8,399</u></u>	<u><u>214,158</u></u>

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9. Property, Plant and Equipment (Continued)

	Properties \$'000	Furniture/ Equipment \$'000	Motor Vehicles \$'000	Equipment on lease \$'000	Total \$'000
December 31, 2012					
Cost/Valuation					
At beginning of year	162,932	81,211	6,021	22,355	272,519
Additions	27,631	3,889	170	4,197	35,887
Disposals	-	(63)	(48)	(4,007)	(4,118)
Revaluation	<u>7,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,571</u>
	<u>198,134</u>	<u>85,037</u>	<u>6,143</u>	<u>22,545</u>	<u>311,859</u>
Accumulated depreciation					
At beginning of year	5,547	73,283	4,355	16,937	100,122
Charge for the year	2,914	2,576	982	2,323	8,795
Disposals	-	-	(39)	(2,969)	(3,008)
Revaluation	<u>(6,693)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,693)</u>
	<u>1,768</u>	<u>75,859</u>	<u>5,298</u>	<u>16,291</u>	<u>99,216</u>
Net book value					
At December 31, 2012	<u><u>196,366</u></u>	<u><u>9,178</u></u>	<u><u>845</u></u>	<u><u>6,254</u></u>	<u><u>212,643</u></u>

	2013 \$'000	2012 \$'000
a) Written down value of properties		
Written down value of the properties based on cost	<u><u>99,700</u></u>	<u><u>101,671</u></u>
b) Revaluation surplus		
Balance brought forward	82,935	68,671
Revaluation surplus for the year	<u>2,324</u>	<u>14,264</u>
	<u><u>85,259</u></u>	<u><u>82,935</u></u>

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	2013 \$'000	2012 \$'000
10. <u>Current Liabilities</u>		
Short term borrowings	15,000	15,000
Customers' deposits	61,331	63,730
Other funding instruments	2,104	2,079
Premium suspense	21,326	19,642
Accounts payable, accruals and other liabilities	57,407	66,518
Provision for employees benefits	4,838	5,526
Reinsurance liabilities	14,340	10,344
Taxation payable	<u>851</u>	<u>501</u>
	<u>177,197</u>	<u>183,340</u>
a) Bank overdraft		
The Group has an overdraft facility for \$6,000,000 at Scotiabank Trinidad and Tobago Limited, which is unsecured and bears interest at 7.00% (2012: 7.25%) per annum.		
b) Short term borrowings, customers' deposits and other funding instruments - Concentration		
Corporate and commercial	30,502	28,414
Other financial institutions	17,161	17,383
Personal	<u>30,772</u>	<u>35,012</u>
	<u>78,435</u>	<u>80,809</u>
c) Other funding instruments		
Other funding instruments are secured by specific assets including Trinidad and Tobago Government Securities.		
d) Reinsurance liabilities		
Balance brought forward	10,344	11,611
Reinsurance premiums for the year	81,557	68,529
Payments made during the year	<u>(77,561)</u>	<u>(69,796)</u>
Balance carried forward	<u>14,340</u>	<u>10,344</u>

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	Interest Rate %	2013 \$'000	2012 \$'000
11. Long Term Borrowings			
TT\$ Floating rate bonds due 2014, 2017, 2030	1.00 - 6.00	161,000	161,000
US\$ Floating rate bonds due 2030	6.25	5,528	5,499
US\$ Variable rate loans	3.66 - 6.37	92,052	101,621
Conditional borrowings and private equity		<u>51</u>	<u>9,607</u>
		<u>258,631</u>	<u>277,727</u>
a) Movements for the year			
Balance brought forward		277,727	-
Arising on acquisition of subsidiary		-	310,862
Repayments during the year (net)		<u>(19,096)</u>	<u>(33,135)</u>
Balance carried forward		<u>258,631</u>	<u>277,727</u>

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

c) Conditional borrowings and Private Equity Funding

The Group had entered into finance contracts with the European Investment Bank (EIB) in respect of investment funds provided by the EIB to be used only for private equity investments in small and medium sized entities. The Group has fully utilised all funding available from this source.

d) Bond redemption funds

The floating rate bonds which mature in series from 2014, 2017 and 2030 respectively are secured by bond redemption funds totalling \$102.050 million (2012: \$93.144 million) that are invested in local securities issued by the Government of the Republic of Trinidad and Tobago and in various investments and deposit certificates issued by local commercial banks (Note 7(c)). These funds are managed by the various Trustees for the several bond issues and are to be used exclusively for the redemption of specific bonds.

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	2013 \$'000	2012 \$'000
12. <u>Insurance Contracts Liabilities</u>		
With discretionary participation features	503,747	496,582
Without discretionary participation features	563,357	512,345
Provisions for outstanding claims	154,492	145,273
Provisions for claims incurred but not reported	26,740	24,629
Provisions for unearned premiums	76,563	74,876
Provisions for unexpired risks	<u>5,742</u>	<u>5,616</u>
	<u>1,330,641</u>	<u>1,259,321</u>
a) Reconciliation of changes for the year		
Balance brought forward	1,259,321	1,186,374
Increase in reserves	53,908	69,236
Increase in claims	20,807	11,684
Increase in reinsurance assets	<u>(3,395)</u>	<u>(7,973)</u>
Balance carried forward	<u>1,330,641</u>	<u>1,259,321</u>
b) Net insurance contracts liabilities		
Insurance contracts liabilities	1,330,641	1,259,321
Less: reinsurance assets	<u>(103,543)</u>	<u>(106,938)</u>
	<u>1,227,098</u>	<u>1,152,383</u>
Represents		
With discretionary participation features	503,747	496,582
Without discretionary participation features	525,676	480,903
Provisions for outstanding claims	116,234	97,629
Provisions for claims incurred but not reported	19,970	17,769
Provisions for unearned premiums	57,182	55,349
Provisions for unexpired risks	<u>4,289</u>	<u>4,151</u>
	<u>1,227,098</u>	<u>1,152,383</u>
c) Concentration by lines of business		
Life assurance funds	441,681	417,680
Annuities	517,472	483,917
Deposit administration contracts	80,452	78,154
Policyholder dividends	6,200	6,516
Property	6,600	7,638
Motor	152,511	139,077
Liability	16,224	13,530
Marine	5,455	5,436
Pecuniary loss	499	431
Personal accident	<u>4</u>	<u>4</u>
	<u>1,227,098</u>	<u>1,152,383</u>

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12. Insurance Contracts Liabilities (Continued)

	2013 \$'000	2012 \$'000
d) Provision for outstanding claims		
Balance brought forward	145,273	148,792
Claims incurred for the year	127,681	154,638
Reinsurance assets	(9,386)	(12,820)
Payments made during the year	<u>(109,076)</u>	<u>(145,337)</u>
Balance carried forward	<u>154,492</u>	<u>145,273</u>
e) Aged analysis of outstanding claims		
Short term insurance		
Up to 2009	52,034	59,412
2010	11,921	12,794
2011	17,110	17,605
2012	22,986	33,337
2013	<u>29,648</u>	<u>-</u>
	<u>133,699</u>	<u>123,148</u>

13. Stated Capital

Authorised

An unlimited number of ordinary shares of no par value.

Issued and fully paid

10,871,387 shares of no par value.

14. Capital Reserve

Capital reserve comprises share premium and revaluation surpluses.

15. Catastrophe Reserve

The Corporation Taxes Act was amended in 1994 by Section 10D such that contributions to the catastrophe reserve fund up to a maximum of 20% of net premium income on property business is allowed as a deduction in computing chargeable income.

16. General Reserve

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

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17. Investment Revaluation Reserve

The investment revaluation reserve represents gains and losses arising from changes in fair value of available for sale financial assets.

18. Statutory Reserves

- a) Section 171 of the Insurance Act, 1980 requires that at least 25% of the profit of every company carrying on general insurance business for the current year shall be appropriated towards surplus until such surplus equals or exceeds the reserves in respect of its outstanding unexpired policies.
- b) The Financial Institutions Act, 2008 requires every financial institution to transfer no less than 10% of its net profit after deduction of taxes to a reserve fund until the amount standing to the credit of the reserve fund is equal at least to its paid up capital.

	2013 \$'000	2012 \$'000
19. <u>Non-Controlling Interests</u>		
Balance brought forward	64,222	1
Arising on acquisition of subsidiary	-	60,646
Share of surplus after taxation	<u>2,938</u>	<u>3,575</u>
	<u>67,160</u>	<u>64,222</u>
a) Accumulated balances of material non-controlling interest:		
Development Finance Limited – 50.25%	<u>67,159</u>	<u>64,221</u>
b) Summarised financial information in respect of Development Finance Limited before intercompany eliminations is as follows:		
i) Statement of financial position:		
Total assets	425,217	444,712
Total liabilities	<u>298,675</u>	<u>328,091</u>
	<u>126,542</u>	<u>116,621</u>
ii) Statement of income:		
Total income	<u>18,826</u>	<u>24,689</u>
Net surplus after taxation	5,608	2,148
Other comprehensive income	<u>4,598</u>	<u>1,352</u>
Total comprehensive income	<u>10,206</u>	<u>3,500</u>

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	2013 \$'000	2012 \$'000
19. <u>Non-Controlling Interests (Continued)</u>		
iii) Statement of cash flows		
Cash flows from operating activities	22,307	50,417
Cash flows from investing activities	(25,353)	(26,150)
Cash flows from financing activities	<u>(25,392)</u>	<u>(46,332)</u>
Net decrease in cash and cash equivalents	<u><u>(28,438)</u></u>	<u><u>(22,065)</u></u>
 20. <u>Investment Income</u>		
Interest income	72,477	85,530
Dividends	4,886	3,939
Foreign exchange gains/(losses)	3,076	(717)
Realised gains	1,831	-
Unrealised gains	<u>23,265</u>	<u>22,535</u>
	<u><u>105,535</u></u>	<u><u>111,287</u></u>
 a) Interest income		
Cash and cash equivalents	626	420
At fair value through profit or loss	4,861	5,503
Held to maturity	40,743	40,111
Loans and receivables	23,378	38,172
Other	<u>2,869</u>	<u>1,324</u>
	<u><u>72,477</u></u>	<u><u>85,530</u></u>
 b) Gains/(losses)		
At fair value through profit or loss	15,055	32,785
Available for sale	-	-
Held to maturity	366	-
Loans and receivables	3,607	203
Investment properties	-	(2,540)
Associates	-	(1,341)
Acquisition of subsidiary	-	2,537
Other	<u>6,068</u>	<u>(9,109)</u>
	<u><u>25,096</u></u>	<u><u>22,535</u></u>

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	2013 \$'000	2012 \$'000
21. <u>Other Income</u>		
Commissions	15,468	13,722
Rental income from operating leases	12,107	12,074
Revenue from sale of goods	35,331	34,331
Fees from trustee services	44	50
Miscellaneous income	<u>2,656</u>	<u>1,563</u>
	<u>65,606</u>	<u>61,740</u>
22. <u>Policyholders' Benefits</u>		
Claims and surrenders	147,032	175,016
Dividends to participating policyholders	446	630
Provision for future policy benefits	<u>54,225</u>	<u>69,242</u>
	<u>201,703</u>	<u>244,888</u>
23. <u>Other Direct Costs</u>		
Commissions/agents remuneration	50,566	47,693
Policy issue expenses	2,581	2,487
Depreciation on leased assets (net)	2,521	2,220
Cost of sales	29,745	29,566
Other costs	<u>1,586</u>	<u>1,333</u>
	<u>86,999</u>	<u>83,299</u>
Pension costs included in other direct costs	<u>1,393</u>	<u>1,352</u>

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	2013 \$'000	2012 \$'000
24. <u>Expenses of Management</u>		
Employee benefits	45,491	46,024
Depreciation (net)	6,737	6,388
Operating lease rentals	351	47
Other administrative expenses	<u>50,515</u>	<u>43,707</u>
	<u>103,094</u>	<u>96,166</u>
Pension costs included in employee benefits	<u>1,017</u>	<u>1,747</u>
25. <u>Taxation</u>		
a) Tax charge for the year		
Current year	10,267	7,577
Deferred taxation	<u>4,679</u>	<u>3,874</u>
	<u>14,946</u>	<u>11,451</u>
Insurance revenue statement	7,720	6,641
Shareholders	<u>7,226</u>	<u>4,810</u>
	<u>14,946</u>	<u>11,451</u>
b) Reconciliation		
Income taxes in the statements of income vary from amounts that would be computed by applying the statutory tax rates for the following reasons:		
Surplus before taxation	<u>50,362</u>	<u>27,365</u>
Tax at applicable statutory rates	12,591	6,841
Effect of different tax rates of life insurance companies	(772)	(664)
Items not subject to tax	(2,567)	(745)
Temporary differences	5,054	4,022
Tax losses	(465)	322
Other	<u>1,105</u>	<u>1,675</u>
	<u>14,946</u>	<u>11,451</u>

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	2013 \$'000	2012 \$'000
25. <u>Taxation (Continued)</u>		
c) Tax losses		
Tax losses in subsidiaries available for set off against future chargeable profits of those companies.	<u>15,411</u>	<u>16,289</u>
26. <u>Cash and Cash Equivalents</u>		
Cash and bank balances	122,004	122,292
Short term instruments	<u>211,100</u>	<u>288,552</u>
	<u>333,104</u>	<u>410,844</u>
27. <u>Capital Commitments</u>		
Loans	<u>23,263</u>	<u>21,908</u>
28. <u>Operating Leases</u>		
Future rental income due on non-cancellable operating leases		
Up to one year	7,048	5,275
Two to three years	<u>4,581</u>	<u>2,357</u>
	<u>11,629</u>	<u>7,632</u>

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	2013 \$'000	2012 \$'000
29. <u>Assets Pledged – Statutory Deposit, Statutory Fund and Catastrophe Reserve Fund</u>		
Fair value of assets deposited with and/or pledged to the order of the Inspector of Financial Institutions under the provisions of the Insurance Act, 1980		
Current assets	60,188	72,529
Investment in subsidiaries	67,670	61,721
Financial assets	923,347	876,140
Investment properties	86,000	86,000
Owner occupied properties	<u>143,000</u>	<u>143,000</u>
	<u>1,280,205</u>	<u>1,239,390</u>

30. Related Party Transactions

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

Related parties include: persons, or a close member of that person's family, who has control, joint control, or significant influence over the Group, including members of the key management personnel; all subsidiaries (Note 37); all associates (Note 6) and joint venture partners; and the Group's post employment benefit plans for the employees of the Group.

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

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

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30. Related Party Transactions (Continued)

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

	2013	2012
	\$'000	\$'000
a) Associates		
Investments in stated capital	3,460	3,460
Impairment loss	(1,341)	(1,341)
Share of loss for the year	(402)	(1,047)
Share of other comprehensive income	<u>1</u>	<u>901</u>
b) Subsidiaries		
Gain on acquisition	<u>-</u>	<u>2,537</u>
c) Post employment benefit plans		
i) Defined contribution plan		
Deposit administration contract	59,119	57,809
Pension fund contributions	1,693	1,669
Purchase of annuities	<u>3,229</u>	<u>763</u>
ii) Defined benefit plan		
Retirement benefit asset	27,071	22,217
Actuarial gain	4,958	1,352
Income/(expense)	<u>286</u>	<u>(519)</u>
d) Key management personnel		
Loans - secured	3,036	4,926
Customer deposits	814	2,673
Interest income	86	194
Interest expense	<u>22</u>	<u>81</u>
e) Key management compensation		
Short term benefits	7,874	10,162
Post employment benefits	187	228
Other long term benefits	42	133
Termination benefits	<u>-</u>	<u>524</u>
	<u>8,103</u>	<u>11,047</u>

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

a) Long term insurance contracts

- i) The actuarial liabilities for long term insurance contracts are determined in accordance with the provisions of the Insurance Act, 1980 and following generally accepted actuarial practice in the Republic of Trinidad and Tobago. The Insurance Act requires that the actuary place a “proper” value on the liabilities. These liabilities are determined using the PPM (Note 2 (p) (iii)). In deriving the liabilities, the PPM takes into consideration assumptions about the future impact of mortality, lapse rates, administration expense and interest rates among other factors for each policy type. Such assumptions are based on insurer and industry experience and are updated annually.

ii) Sensitivity

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

Scenario	Change in Variable	% Change in Minimum reserve based on Liability Adequacy test
Increase in interest and expense inflation	+1%	-6.36%
Decrease in interest and expense inflation	-1%	+7.86%
Increase in mortality (life insurance)	+10%	+0.90%
Decrease in mortality (annuities)		
Decrease in mortality (life insurance)	-10%	-0.84%
Increase in mortality (annuities)		
Increase in lapses	+10%	-0.51%
Decrease in lapses	-10%	+0.62%
Increase in expenses	+20%	+3.12%
Decrease in expenses	-20%	-2.88%
Increase in critical illness incidence	+10%	+1.40%
Decrease in critical illness incidence	-10%	-1.23%

b) Short term insurance contracts

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

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

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31. Insurance Contracts – Assumptions, Changes in Assumptions and Sensitivity (Continued)

b) Short term insurance contracts (continued)

ii) Claims development – short term insurance

Underwriting year	2009	2010	2011	2012	2013	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Estimate of cumulative claims						
At end of year	68,163	64,773	65,202	74,182	64,963	337,283
One year later	51,393	70,613	63,650	72,812		
Two years later	53,221	71,708	64,721			
Three years later	52,362	71,476				
Four years later	48,180					
Estimate of cumulative claims	48,180	71,476	64,721	72,812	64,963	322,152
Cumulative payments	<u>(42,182)</u>	<u>(59,555)</u>	<u>(47,611)</u>	<u>(49,826)</u>	<u>(35,315)</u>	<u>(234,489)</u>
Claims outstanding	<u>5,998</u>	<u>11,921</u>	<u>17,110</u>	<u>22,986</u>	<u>29,648</u>	87,663
Liability in respect of prior years						<u>46,036</u>
Total Liability						<u>133,699</u>

32. Insurance Risk

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

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

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

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32. Insurance Risk (Continued)

a) Underwriting

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

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

b) Long term insurance contracts

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

i) Underwriting

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

ii) Longevity risk on annuity business

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

iii) Mortality and morbidity risk

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

iv) Lapse risk

Lapse risk is managed through product design and conservation strategies.

v) Experience studies

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

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32. Insurance Risk (Continued)

b) Long term insurance contracts (continued)

vi) Reinsurance

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

vii) Pricing risk

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

c) Short term insurance contracts

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

i) Underwriting

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

ii) Reinsurance

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

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

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32. Insurance Risk (Continued)

c) Short term insurance contracts (continued)

ii) Reinsurance (continued)

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

d) Concentration of insurance risk

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

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

	2013 \$'000	2012 \$'000
Gross		
Long term insurance	9,613,272	8,716,884
Short term insurance	<u>13,519,236</u>	<u>13,775,876</u>
	<u>23,132,508</u>	<u>22,492,760</u>
Net		
Long term insurance	5,537,755	6,099,131
Short term insurance	<u>5,014,905</u>	<u>3,906,184</u>
	<u>10,552,660</u>	<u>10,005,315</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

33. Financial Risk

a) Enterprise risk management

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

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

b) Credit risk

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

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

i) Short term investments

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

ii) Accounts receivable

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

iii) Reinsurance assets

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

iv) Bonds

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

33. Financial Risk (Continued)

b) Credit risk (continued)

v) Mortgage loans

The value at risk associated with mortgage loans is very insignificant as they are secured by property, which has been experiencing a significant increase in value over the past three years and because of the continued growth of the local economy.

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

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

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

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

The Subsidiary’s Board is responsible for managing credit risk along with the General Manager who is responsible for implementing the credit and risk management policy approved by the Board which relies on oversight by the Board’s Audit Committee. Specific management measures include:

- Ensuring that suitably qualified staff is adequately trained in various aspects of credit risk management and providing advice, guidance and specialist skills and training to business units to promote sound techniques and practices.
- Formulating credit policies covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.
- The authorisation structure for the approval of credit and related decisions.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

33. Financial Risk (Continued)

b) Credit risk (continued)

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

- Limitation of credit concentrations, industry and country risk exposure and reviewing compliance of business units with agreed exposure limits and the credit quality of local portfolios and ensuring that appropriate corrective action is taken where required.
- Developing and maintaining the company's risk rating and pricing systems and its procedures for determining impairment loss.

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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33. Financial Risk (Continued)

b) Credit risk (continued)

vii) Other loans

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

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

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

viii) Concentration

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

ix) Global economic developments and government policies

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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33. Financial Risk (Continued)

b) Credit risk (continued)

x) Maximum exposure to credit risk

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

	2013 \$'000	2012 \$'000
Maximum exposure to credit risk	<u>1,617,552</u>	<u>1,579,821</u>

c) Liquidity risk

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

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

i) Risk environment

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

ii) Risk management

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

iii) Liquidity gap

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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33. Financial Risk (Continued)

c) Liquidity risk (continued)

iii) Liquidity gap (continued)

	Up to one year \$'000	Two to five years \$'000	2013 Over five years \$'000	Undated \$'000	Total \$'000
Assets					
Liquid assets	333,104	-	-	-	333,104
Financial assets	165,873	385,815	589,101	216,523	1,357,312
Other assets	<u>148,942</u>	<u>-</u>	<u>-</u>	<u>432,622</u>	<u>581,564</u>
	<u>647,919</u>	<u>385,815</u>	<u>589,101</u>	<u>649,145</u>	<u>2,271,980</u>
Liabilities					
Borrowings	85,742	201,259	50,065	-	337,066
Insurance contracts	236,594	18,755	989,025	86,267	1,330,641
Other liabilities	<u>96,466</u>	<u>2,296</u>	<u>-</u>	<u>25,473</u>	<u>124,235</u>
	<u>418,802</u>	<u>222,310</u>	<u>1,039,090</u>	<u>111,740</u>	<u>1,791,942</u>
Net gap	<u>229,117</u>	<u>163,505</u>	<u>(449,989)</u>	<u>537,405</u>	<u>480,038</u>
Cumulative gap	<u>229,117</u>	<u>392,622</u>	<u>(57,367)</u>	<u>480,038</u>	

	Up to one year \$'000	Two to five years \$'000	2012 Over five years \$'000	Undated \$'000	Total \$'000
Assets					
Liquid assets	410,844	-	-	-	410,844
Financial assets	80,603	348,436	590,258	170,411	1,189,708
Other assets	<u>155,983</u>	<u>-</u>	<u>-</u>	<u>427,658</u>	<u>583,641</u>
	<u>647,430</u>	<u>348,436</u>	<u>590,258</u>	<u>598,069</u>	<u>2,184,193</u>
Liabilities					
Borrowings	87,930	155,335	115,271	-	358,536
Insurance contracts	235,213	42,243	927,693	54,172	1,259,321
Other liabilities	<u>100,235</u>	<u>2,296</u>	<u>-</u>	<u>21,798</u>	<u>124,329</u>
	<u>423,378</u>	<u>199,874</u>	<u>1,042,964</u>	<u>75,970</u>	<u>1,742,186</u>
Net gap	<u>224,052</u>	<u>148,562</u>	<u>(452,706)</u>	<u>522,099</u>	<u>442,007</u>
Cumulative gap	<u>224,052</u>	<u>372,614</u>	<u>(80,092)</u>	<u>442,007</u>	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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33. Financial Risk (Continued)

d) Market risk

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

e) Currency risk

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

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

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

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

	2013	2012
Net Foreign Currency Assets	\$'000	\$'000
United States Dollars	372,456	284,964
Other Currencies	<u>(8,291)</u>	<u>14,423</u>
	<u>364,165</u>	<u>299,387</u>

f) Interest rate risk

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

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

i) Risk management

Exposure is managed using interest rate sensitivity management.

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

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33. Financial Risk (Continued)

f) Interest rate risk (continued)

ii) Short term investments

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

iii) Bonds

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

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

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

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

iv) Mortgage loans

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

v) SME loans

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

vi) Other loans

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

vii) Interest rate sensitivity gap

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

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33. Financial Risk (Continued)

f) Interest rate risk (continued)

vii) Interest rate sensitivity gap (continued)

	2013				
	Up to one year \$'000	Two to five years \$'000	Over five years \$'000	Non-Interest bearing \$'000	Total \$'000
Assets					
Liquid assets	333,104	-	-	-	333,104
Financial assets	299,583	284,482	603,903	169,344	1,357,312
Other assets	-	-	-	581,564	581,564
	<u>632,687</u>	<u>284,482</u>	<u>603,903</u>	<u>750,908</u>	<u>2,271,980</u>
Liabilities					
Borrowings	231,598	44,664	60,804	-	337,066
Insurance contracts	501,679	225,130	282,219	321,613	1,330,641
Other liabilities	-	-	-	124,235	124,235
	<u>733,277</u>	<u>269,794</u>	<u>343,023</u>	<u>445,848</u>	<u>1,791,942</u>
Net gap	<u>(100,590)</u>	<u>14,688</u>	<u>260,880</u>	<u>305,060</u>	<u>480,038</u>
Cumulative gap	<u>(100,590)</u>	<u>(85,902)</u>	<u>174,978</u>	<u>480,038</u>	

	2012				
	Up to one year \$'000	Two to five years \$'000	Over five years \$'000	Non-Interest bearing \$'000	Total \$'000
Assets					
Liquid assets	410,844	-	-	-	410,844
Financial assets	154,809	351,840	557,577	125,482	1,189,708
Other assets	-	-	-	583,641	583,641
	<u>565,653</u>	<u>351,840</u>	<u>557,577</u>	<u>709,123</u>	<u>2,184,193</u>
Liabilities					
Borrowings	90,126	151,479	116,931	-	358,536
Insurance contracts	511,535	191,078	289,952	266,756	1,259,321
Other liabilities	-	-	-	124,329	124,329
	<u>601,661</u>	<u>342,557</u>	<u>406,883</u>	<u>391,085</u>	<u>1,742,186</u>
Net gap	<u>(36,008)</u>	<u>9,283</u>	<u>150,694</u>	<u>318,038</u>	<u>442,007</u>
Cumulative gap	<u>(36,008)</u>	<u>(26,725)</u>	<u>123,969</u>	<u>442,007</u>	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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33. Financial Risk (Continued)

g) Price risk

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

i) Equity price risk

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

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

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

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

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

	2013	2012
Investments in Equity Instruments	\$'000	\$'000
Associates	1,572	1,973
At fair value through profit or loss	169,244	125,382
Available for sale	<u>100</u>	<u>100</u>
	<u>170,916</u>	<u>127,455</u>

ii) Commodity price risk

The Group is not exposed to commodity price risk.

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34. Fair Value Measurement

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

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

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

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

Level 3: Valuation techniques using significant unobservable inputs.

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

i) Current assets and current liabilities

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

ii) Quoted securities

The fair values of quoted securities are determined on the basis of quoted market prices available at December 31, 2013.

iii) Unquoted securities

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

iv) Loans and receivables

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

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35. Capital Risk Management

The Group manages its capital to ensure that companies in the Group will be able to continue as a going concern while maximising the return to shareholders. The Group's overall strategy remains unchanged from 2012.

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

36. Contingent Liabilities

	2013 \$'000	2012 \$'000
a) Guarantees	<u>6,000</u>	<u>-</u>
b) Litigation		
i)	<p>During the period from March to June 2002, the State laid several charges indictably on several individuals and companies including two of the Company's subsidiaries. The charges cover offences that are alleged to have occurred between the period from July 1, 1996 to December 21, 2000, and constitute for the greater part the following:</p> <ul style="list-style-type: none"> - corruptly receiving significant funds on account of and paying such funds to and on behalf of an individual who was at the time performing duties in which the public had an interest; - aiding and abetting the said individual to misbehave in public office; and - conspiring to convert funds that the State alleges the subsidiaries had reasonable grounds to suspect were part of proceeds of a specified offence. <p>On January 7, 2008, the Chief Magistrate discharged all of the accused persons, including two of the Company's subsidiaries, in respect of all of the original charges preferred against them. Thereafter, the Chief Magistrate committed all of the accused persons including two of the Company's subsidiaries to stand trial on new and substituted charges all of which are denied by the accused.</p> <p>On April 4, 2008, two of the Company's subsidiaries made an application for Leave for Judicial review. Having been refused leave, the companies have lodged an appeal with the Court of Appeal, which is currently pending.</p>	
ii)	<p>Additionally, on May 20, 2004 the Company and two of its subsidiaries together with other companies were charged with the offence of conspiring with other persons to obtain contracts and payments or settlements thereafter, of a total face value of up to \$1,600,000,000 contrary to Section 34(1) of the Larceny Act Chapter 11:12. The Company has been advised by its attorneys that this offence is not known to the law.</p>	
iii)	<p>All of these matters are currently before the Courts. No provision has been made in these financial statements in respect to any of the alleged charges. Legal fees in connection with these matters are expensed as incurred.</p>	

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37. Subsidiaries

	Place of Incorporation	2013 % Shareholding	2012 % Shareholding
Balandra by the Bay I Limited Land development	Republic of Trinidad and Tobago	100.00	100.00
Development Finance Ltd Term lenders and equity investors in small and medium sized private industrial and commercial enterprises in the Caribbean	Republic of Trinidad and Tobago	49.75	49.75
DFLSA Inc (<i>In Liquidation</i>) 91.34% subsidiary of Development Finance Limited	Republic of Guyana	45.44	45.44
Fidelity Finance and Leasing Company Limited Acceptance of deposits and carrying on the business of a finance house or finance company, trust company and leasing corporation	Republic of Trinidad and Tobago	100.00	100.00
Inter-Island Mortgage Finance Limited Granting of mortgage loans	Republic of Trinidad and Tobago	100.00	100.00
Keystone Property Developers Limited Building contractors and real estate developers	Republic of Trinidad and Tobago	100.00	100.00
Las Cuevas South West Limited Land development	Republic of Trinidad and Tobago	100.00	100.00
Maritime Capital Limited Not yet commenced trading	Republic of Trinidad and Tobago	100.00	100.00
Maritime General Insurance Company Limited Underwriting all classes of general insurance business in Trinidad and Tobago	Republic of Trinidad and Tobago	100.00	100.00
Maritime Leasing Company Limited Leasing of equipment and commercial properties	Republic of Trinidad and Tobago	100.00	100.00
Maritime Residences Limited Development, trade and rental of newly constructed dwelling houses	Republic of Trinidad and Tobago	100.00	100.00
Nettletons Limited Retail operations	Republic of Trinidad and Tobago	100.00	100.00
Comteq Technological Services Company Limited On-line sales	Republic of Trinidad and Tobago	100.00	100.00
Marnett Security Company Limited Provision of security services	Republic of Trinidad and Tobago	100.00	100.00

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38. Dividends

a) Dividends Paid	2013 \$'000	2012 \$'000
Year ended December 31, 2011 (22¢)	-	2,392
Year ended December 31, 2012 (22¢)	2,392	-
Year ended December 31, 2013 (15¢)	<u>1,631</u>	<u>-</u>
	<u>4,023</u>	<u>2,392</u>

- b) The Board of Directors proposed a dividend of 22¢ per share for the year ended December 31, 2013 (2012: 22¢ per share). This dividend, amounting to \$2,391,705 is not recorded as a liability in the statement of financial position in accordance with IAS 10.