Separate Financial Statements of

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

December 31, 2022

(Expressed in Trinidad and Tobago dollars)

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COLONIAL LIFE
INSURANCE COMPANY [TRINIDAD] LIMITED
P.O. Box 443, 29 St. Vincent Street, Port of Spain, Republic of Trinidad & Tobago, W.I.
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Statement of Management's Responsibilities
Colonial Life Insurance Company (Trinidad) Limited

Management is responsible for the following:

a) Preparing and fairly presenting the accompanying separate financial statements of Colonial Life Insurance Company (Trinidad) Limited (the Company), which comprise the separate statement of financial position as at December 31, 2022, the separate statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising significant accounting policies and other explanatory information;

b) Ensuring that the Company keeps proper accounting records;

c) Selecting appropriate accounting policies and applying them in a consistent manner;

d) Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud and the achievement of the Company's operational efficiencies;

e) Ensuring that the system of internal control operated effectively during the reporting period;

f) Producing reliable financial reporting that complies with laws and regulations, including the Companies and Insurance Acts; and

g) Using reasonable and prudent judgment in the determination of estimates.

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

Certain directives issued by the Central Bank of Trinidad and Tobago have resulted in the curtailment of the Company's operations. Subject to Note 1 thereafter, the Company continues to maintain its operations in the normal course of business and continues to operate as a going concern.

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

Claire Gomez-Miller	Stacel Peters-Scipio
Executive Chairman	Chief Financial Officer
Date: March 31, 2023	Date: March 31, 2023

1.5. Opinion of the Appointed Actuary

The actuarial certificates are required by the Insurance Act and Regulation 18 of the Insurance (Caribbean Policy Premium Method) Regulations.

1.5.1. Actuarial Certification – Long-term insurance and investment contracts

This actuarial certificate is provided in accordance with the provisions of the Insurance Act, with respect to CLICO's long-term insurance business.

I have examined the financial position and valued the policy liabilities and other actuarial liabilities, and reinsurance recoverables, of Colonial Life Insurance Company (Trinidad) Limited (CLICO) for its statement of financial position as at December 31, 2022 and the corresponding changes in the statement of income for the year then ended 2022.

I certify that:

a. I am currently in good standing with my governing actuarial accreditation body;
b. I meet the appropriate qualification standards;
c. I am familiar with the actuarial valuation and capital adequacy requirements applicable to insurers carrying on long-term insurance business in Trinidad and Tobago; and
d. I have complied with the requirements of the Insurance Act, 2018 and applicable Regulations made thereunder.

In my opinion-

a. The methods and procedures used in the verification of the valuation data are sufficient and reliable and fulfil acceptable standards of care;
b. The methods and assumptions used to calculate the policy liabilities and other actuarial liabilities are appropriate to the circumstances of the insurer and of the underlying policies and claims; and
c. The policy liabilities and other actuarial liabilities represented in the statement of financial position of CLICO amounting to $TT 7,394,111,422[3] and the reinsurance recoverables of -$TT 11,544,758 make proper provision for all policy obligations and the insurance returns fairly presents the results of the valuation.

Simone Brathwaite, FCIA, FSA, CERA
Appointed Actuary, CLICO

March 20, 2023

[3] Policy liabilities presented net of reinsurance and exclude any liability held for outstanding claims

1.5.2. Actuarial Certification – Short-term insurance and investment contracts

This actuarial certificate and opinion are provided in accordance with the requirements of the Insurance Act with respect to the short-term investment business (EFPA).

I have examined the financial position and valued the short-term investment policy liabilities of Colonial Life Insurance Company (Trinidad) Limited (CLICO) for its statement of financial position as at December 31, 2022 and the corresponding changes in the statement of income for the year then ended 2022.

I certify that:

a. I am currently in good standing with my governing actuarial accreditation body;

b. I meet the appropriate qualification standards;

c. I am familiar with the actuarial valuation and capital adequacy requirements applicable to insurers carrying on short-term insurance business in Trinidad and Tobago; and

d. I have complied with the requirements of the Insurance Act, 2018 and applicable Regulations made thereunder.

In my opinion-

a. The methods and procedures used in the verification of the valuation data are sufficient and reliable and fulfil acceptable standards of care;

b. The methods and assumptions used to calculate the policy liabilities are appropriate to the circumstances of the insurer and of the underlying policies and claims; and

c. The policy liabilities represented in the statement of financial position of CLICO amounting to $TT 103,451,767 make proper provision for all policy obligations and the insurance returns fairly presents the results of the valuation.

Simone Brathwaite, FCIA, FSA, CERA
Appointed Actuary, CLICO

March 20, 2023

KPMG
Chartered Accountants
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Independent Auditors' Report
To the Shareholders of Colonial Life Insurance Company (Trinidad) Limited

Qualified Opinion

We have audited the separate financial statements of Colonial Life Insurance Company (Trinidad) Limited ("the Company"), which comprise the separate statement of financial position as at December 31, 2022, the separate statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the effect of the matter described in the *Bases for Qualified Opinion* section of our report, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2022, and its separate financial performance for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

Bases for Qualified Opinion

1. The Company's investment in CL World Brands limited (CLWB) is classified as "fair value through other comprehensive income" and is carried at $906 million (2021: $723 million): representing 6.92% (2021: 5.47%) of total assets. We were unable to obtain sufficient appropriate audit evidence about the fair value of this investment because we were denied access to the management and the auditors of CLWB. We were unable to satisfy ourselves regarding this amount through alternative means. Consequently, we were unable to determine whether any adjustments were necessary to the amounts shown in the separate statement of financial position as at December 31, 2022 for investments in associates and the related elements in the separate statement of other comprehensive income for the year then ended. The audit report as at December 31, 2021 was similarly modified.

Bases for Qualified Opinion (continued)

2. We were unable to obtain sufficient appropriate audit evidence on the fair value balance of $2.58 billion reported as investment in subsidiary for Methanol Holdings International Limited (MHIL) as of December 31, 2021. The audit report as at December 31, 2021 was modified accordingly. Consequently, we were unable to determine whether any adjustments were necessary to the fair value movement of $323 million recognized in other comprehensive income in the separate statement of other comprehensive income for the year ended December 31, 2022. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit* of the *Separate Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including international independence standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the separate financial statements in the Republic of Trinidad and Tobago, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Emphases of Matter

We draw attention to Note 1 to the separate financial statements, which describes the amendment to the Central Bank Act (the Act) that was passed by the Parliament of the Republic of Trinidad and Tobago and its implications for the Company. Further, the Company was required to cease writing new business, effective August 2014 onwards, and that the Company continues to manage the run-off of existing policies. Effective December 1, 2022, the Central Bank of Trinidad and Tobago terminated its control of the Company under Section 44G of the Act.

On September 30, 2019, CLICO executed a sale and purchase agreement (SPA) with Sagicor Life Inc for the sale of the Company's traditional insurance portfolio. The effective date of the transfer is dependent on regulatory approval from the Central Bank.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

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

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

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements (continued)

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Auditors' Responsibilities for the Audit of the Separate Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG

Chartered Accountants

Port of Spain
Trinidad and Tobago
March 31, 2023

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Separate Statement of Financial Position

December 31, 2022
(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	2022	2021
		$'000	$'000
ASSETS			
Property and equipment	6	99,908	101,992
Investment properties	7	179,740	228,400
Investment in associates	8	930,505	742,003
Investment in subsidiaries	9	2,283,408	2,607,275
Investment securities	10	8,621,303	1,767,225
Deferred tax assets	31	5,466	16,462
Taxation recoverable		86,595	86,595
Loans and other receivables	12	358,195	154,372
Cash and balances with banks and short-term deposits	13	471,878	313,707
Assets held for sale	14	58,000	7,182,750
Total assets		13,094,998	13,200,781
EQUITY			
Share capital	15	14,750	14,750
Accumulated surplus		1,931,826	1,629,315
Valuation reserves	16	1,856,206	2,066,467
Total equity		3,802,782	3,710,532
LIABILITIES			
Insurance contracts	17	6,370,078	-
Investment contracts	18	1,344,467	146,939
Mutual fund obligations	19	7,012	42,661
Due to related parties	20	128,893	129,389
Loans and borrowings	21	1,032,184	1,215,502
Taxation payable		61,161	61,702
Accounts payable	22	348,421	214,891
Liabilities directly associated with assets held for sale	14	-	7,679,165
Total liabilities		9,292,216	9,490,249
Total equity and liabilities		13,094,998	13,200,781

The accompanying notes on pages 14 to 137 are an integral part of these separate financial statements.

Director ____________
Claire Gómez-Miller
Executive Chairman

Director U. Miller
Ulric Miller
Board Audit Committee Chair

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Separate Statement of Profit or Loss

For the year ended December 31, 2022
(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	2022 $'000	Re-presented 2021 $'000
Insurance premium	23	168,062	171,156
Reinsurance premium ceded	23	(5,223)	(4,724)
Net insurance premium	23	162,839	166,432
Insurance benefits and claims	24	(412,680)	(358,632)
Expenses for the acquisition of insurance and investment contracts		(2,697)	(2,803)
Change in value of insurance contracts		90,824	90,674
Underwriting expenses		(324,553)	(270,761)
Net results from insurance activities		(161,714)	(104,329)
Investment income	25	709,909	690,765
Gain on sale of investments and other assets	26	-	60,037
Loss on trading managed fund units		(19,709)	(13,532)
Administration and asset management fees		9,886	6,435
Impairment loss on financial assets		(6,793)	(16,829)
Loss on revaluation of investment properties		(1,910)	(7,800)
Other income	27	10,331	4,656
Net results from investing activities		701,714	723,732
Expenses for administration	28	(110,506)	(121,549)
Investment contract movements	29	(40,360)	(46,200)
Revaluation loss on managed fund liabilities		(34,497)	(442)
Operating expenses		(185,363)	(168,191)
Results of operating activities		354,637	451,212
Finance costs	30	(54,474)	(78,447)
Operating profit before taxation		300,163	372,765
Taxation	31	(6,563)	(5,155)
Profit for the year before performance of assets held for sale		293,600	-
Profit from assets held for sale	14	410	-
Profit for the year		294,010	367,610

*The comparative information is restated on account of the insurance activities being reclassified from discontinued operations. See note 14.

The accompanying notes on pages 14 to 137 are an integral part of these separate financial statements.

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Separate Statement of Other Comprehensive Income

For the year ended December 31, 2022
(Expressed in thousands Trinidad and Tobago dollars)

	Notes	2022	2021
		$'000	**$'000**
Profit for the year		294,010	367,610
Other comprehensive income			
Deferred tax adjustment	31	(9,462)	-
Items that will not be reclassified to profit or loss			
Equity investments at FVOCI			
- Net change in fair value	16	(149,831)	133,486
- Taxation	31	-	62
- Revaluation of properties – land and buildings	16	583	(631)
		(149,248)	132,917
Items that are or maybe reclassified subsequently to profit or loss			
Debt instruments at FVOCI:			
- Net change in fair value	16	(70,432)	30,924
Assets held for sale:			
- Net change in fair value	16	-	(72,692)
Total other comprehensive income, net of tax		(229,142)	91,149
Total comprehensive income, net of tax		64,868	458,759

The accompanying notes on pages 14 to 137 are an integral part of these separate financial statements.

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Separate Statement of Changes in Equity

For the year ended December 31, 2022
(Expressed in thousands of Trinidad and Tobago dollars)

	Share Capital $'000	Accumulated Surplus $'000	Valuation Reserves $'000	Total Equity $'000
Year ended December 31, 2022				
Balance at January 1, 2022	14,750	1,629,315	2,066,467	3,710,532
Reclassification of fair value of disposed equity investments at FVOCI to accumulated surplus	-	8,501	(8,501)	-
Profit for the year	-	294,010	-	294,010
Change in fair value of equity investments at FVOCI,	-	-	(149,831)	(149,831)
Deferred tax adjustment	-	-	(9,462)	(9,462)
Net change in fair value of debt instruments at FVOCI	-	-	(70,432)	(70,432)
Revaluation of properties – land and buildings	-	-	583	583
Total comprehensive income	-	302,511	(237,643)	64,868
Transactions with owners of the Company				
Net movement in trustee's units held in Managed Funds	-	-	27,382	27,382
Balance at December 31, 2022	**14,750**	**1,931,826**	**1,856,206**	**3,802,782**

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Separate Statement of Changes in Equity (continued)

For the year ended December 31, 2022
(Expressed in thousands of Trinidad and Tobago dollars)

	Share Capital $'000	Accumulated Surplus $'000	Valuation Reserves $'000	Total Equity $'000
Year ended December 31, 2021				
Balance at January 1, 2021	14,750	1,213,916	2,014,693	3,243,359
Reclassification of fair value of disposed equity investments at FVOCI to accumulated surplus	-	47,789	(47,789)	-
Profit for the year	-	367,610	-	367,610
Change in fair value of equity investments at FVOCI, net of tax	-	-	133,548	133,548
Net change in fair value of debt instruments at FVOCI	-	-	30,924	30,924
Revaluation of properties - land and buildings	-	-	(631)	(631)
Assets held for sale:				
- Net change in fair value	-	-	(72,692)	(72,692)
Total comprehensive income	-	415,399	43,360	458,759
Transactions with owners of the Company				
Net movement in trustee's units held in Managed Funds	-	-	8,414	8,414
Balance at December 31, 2021	**14,750**	**1,629,315**	**2,066,467**	**3,710,532**

The accompanying notes on pages 14 to 137 are an integral part of these separate financial statements.

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Separate Statement of Cash Flows

For the year ended December 31, 2022
(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	2022	Re-presented 2021
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before taxation		300,163	372,765
Adjustments for:			
Depreciation	6	4,976	5,719
Net write offs and write backs		(1,189)	4,405
Exchange gains on translation of non-monetary assets		(6,639)	-
Loss on revaluation of investment properties		1,910	7,800
Property and equipment adjustment		(287)	-
Investment income		(675,412)	(690,323)
Impairment loss on financial assets		6,793	16,829
Change in value of insurance contracts		(90,824)	(90,674)
Investment contracts movements		40,360	46,200
Loss (gain) on trading Managed Funds units		19,709	(13,532)
Shareholders' funds transferred to Managed Funds		18,664	23,275
Interest expense on debt security issued		54,157	78,152
Fair value gain through profit or loss		(3,746)	(1,158)
Operating loss before changes in working capital		(331,365)	(240,542)
Changes in:			
- Insurance contracts		6,664	9,034
- Investment contracts		(31,972)	(4,874)
- Loans and other receivables		1,769	2,207
- Accounts payable		17,820	(875)
- Due to related parties		(496)	58,578
Taxes paid		(5,064)	(4,625)
Net cash used in operating activities		(342,644)	(181,097)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	21	-	(10,515)
Repayment of debt security issued	21	(182,659)	(372,327)
Net cash used in financing activities		(182,659)	(382,842)

The accompanying notes on pages 14 to 137 are an integral part of these separate financial statements.

Separate Statement of Cash Flows (continued)

For the year ended December 31, 2022
(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	2022	Re-presented 2021
		$'000	$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	6	(2,022)	(256)
Proceeds from disposal of property and equipment		-	6
Proceeds from disposal investment property		-	8,150
Dividends received		254,356	258,989
Interest received		420,432	435,527
Sale of investment securities		103,465	11,890
Purchase of investment securities		(103,667)	(204,689)
Change in fixed deposits maturing more than 3 months		-	140,099
Net cash from investing activities		672,564	649,716
Increase in cash and cash equivalents		147,261	85,777
Increase in cash and cash equivalents - Asset held for sale	14	10,910	-
CASH AND CASH EQUIVALENTS AT START OF YEAR		313,707	227,930
CASH AND CASH EQUIVALENTS AT END OF YEAR		471,878	313,707
CASH AND CASH EQUIVALENTS REPRESENTED BY			
Deposits maturing less than three months	13	1,126	4,569
Cash at bank	13	470,752	309,138
		471,878	313,707

During the year, certain assets were disposed of in the amount of $25,900 (2021: $547,000) to extinguish debt to a related entity. This transaction did not result in an exchange of cash and is omitted from the cash flows above.

*The comparative information is re-presented on account of the insurance activities being reclassified from discontinued operations. See note 14.

The accompanying notes on pages 14 to 137 are an integral part of these separate financial statements.

1. General Information

Colonial Life Insurance Company (Trinidad) Limited ("CLICO") was incorporated on December 15, 1936, in the Republic of Trinidad and Tobago and is registered in accordance with Section 23 of the Insurance Act 2018 with effect from January 1, 2022, to carry on long-term, group and annuity business for the purpose of operating a closed portfolio. The classes include Accident and Sickness, Disability Income, Industrial Life and Life Insurance in Trinidad and Tobago.

The Company's registered address is 29 St Vincent Street, Port of Spain.

At December 31, 2008, the Company was a wholly owned subsidiary of CL Financial Limited (the Parent), which is also incorporated in the Republic of Trinidad and Tobago. Effective February 13, 2009, the Central Bank of Trinidad and Tobago (CBTT or Central Bank) assumed control of the Company pursuant to the exercise of its emergency powers under section 44(D) of the Central Bank Act. The Parent entered into involuntary liquidation during the year 2018.

On September 10, 2009, the Government of the Republic of Trinidad and Tobago (GORTT) injected additional capital into the Company by the acquisition of ordinary shares and preference shares. This transaction resulted in GORTT's ownership of 49% of the share capital of the Company.

On September 8, 2010, the Minister of Finance in his 2011 Budget Presentation proposed a plan to further address the issue of the Company's restructuring. During 2011, the Company commenced the pay-out process as outlined in the Budget Speech.

The first phase of the pay-out was started in March 2011 with payments to Executive Flexible Premium Annuities (EFPA)/Group Annuity Advanced Performance Policies (GAAPP)/ Group Advanced Protection (GAP) policyholders with balances under $75,000. The second phase of the pay-out to EFPA/GAAPP/GAP policyholders with policies over $75,000 in value started on December 1, 2011. Pay-outs for CSI Series 6 unit-holders with values under $75,000 commenced on June 21, 2011, while pay-outs to unit-holders with values over $75,000 commenced on March 1, 2012. This restructuring plan continued into 2012.

On September 17, 2011, the Parliament of Trinidad and Tobago passed the Central Bank (Amendment) Bill 2011 (the Bill). This amendment, which is to apply to all institutions subject to emergency State intervention, describes the process to stay all legal actions against the Company whilst it operates under the provisions of Section 44(D) of the Central Bank Act. The Bill provides that the stay continues to apply once the Court is satisfied that it is necessary in so far as any legal action against the Company constitutes a risk to the national good. Consequently, most matters against the Company have been stayed.

In May 2014, the Governor of the CBTT indicated that as part of the resolution strategy for CLICO, the Central Bank proposed to transfer CLICO's traditional insurance portfolio, for value to an acquiring insurance company that is appropriately capitalized, has a proven track record and the capacity to honour all obligations to policyholders. The final independent valuation of the Company's traditional portfolio as of December 31, 2013, was received in November 2014.

1. General Information (continued)

In August 2014, the Company was advised by the Central Bank to cease writing new business with limited exceptions. The effective date of this cessation was September 1, 2014. Based on this advisory the Company also terminated the services of its agents effective September 24, 2014.

In March 2015, the Central Bank directed CLICO to undertake, as part of Central Bank's resolution plan, the First Partial Distribution of cash to all Statutory Fund STIP holders, including the Government. The first partial distribution value paid to each holder represented 85% of the principal value at maturity for each policy. This first partial payment process commenced in March 2015 and continued throughout the year.

In July 2016, under the Central Bank's directive, CLICO commenced the final payment to all third party resident and non-resident STIP holders and holders of mutual fund contracts. This offer met the full payments on contractual liability under these policies.

During 2017, further to the receipt of directives from the Central Bank, CLICO continued to repay its liabilities to the Government, by cash as well as the transfer of certain investments to the Government.

During 2018, further to the receipt of directives from the Central Bank, CLICO continued to repay its liabilities to the Government, by cash as well as the transfer of certain investments to the Government. The Company was able to obtain some funds to pay towards this debt from the liquidation of CLICO Investment Bank (CIB).

Following a bidding process, on September 30, 2019, CLICO executed a sale and purchase agreement ("SPA") with the preferred bidder, Sagicor Life Inc. ("SAGICOR"), for the sale and transfer of the Company's traditional insurance portfolio ("the Portfolio"). The effective date of the transfer of the Portfolio is dependent on CLICO obtaining the required regulatory approvals from the Central Bank.

Further to the execution of the SPA with SAGICOR, an Application for Leave to make a claim for judicial review of the SPA was filed in November 2019 by a claimant against the Central Bank in respect of the bidding process.

In April 2020, the Central Bank was served with a Draft Order of the High Court whereby it granted the claimant leave to file a claim for judicial review as well as an interim injunction was made prohibiting the Central Bank from taking any steps to provide regulatory approval or to otherwise progress or finalize the transfer of the Portfolio to SAGICOR pending the hearing and final determination of this matter or until further order be granted. Pending this determination progress on the SPA has ceased.

1. General Information (continued)

In May 2020, the Central Bank appealed the said High Court decision of the Court with respect to the granting of leave for the judicial review. In July 2020, the Court granted an interim injunction to allow the parties (including CLICO, SAGICOR and the Central Bank) to commence and conduct all appropriate due diligence applicable for discovery activities with respect to the sale and transfer of the traditional insurance portfolio to resume.

The Central Bank appealed the Order of the Court with respect to the granting of Leave for the Judicial Review and on February 17, 2021, the Court of Appeal dismissed the Central Bank's Appeal by a 2:1 majority. The Central Bank appealed the decision of the Court of Appeal.

On October 20, 2022, the Privy Council dismissed the Central Bank's appeal against the decision of a High Court judge with respect to the granting of Leave for the Judicial Review is now set to begin .

The current status of the judicial review has now increased the uncertainty around the timeline for the matter to be concluded. Also, court procedures within Trinidad can prove to be an unpredictable process in terms of timelines. It has been noted that the Central Bank's application for Leave for the Judicial Review, where there was no substantive hearing of the Judicial Review matter, took the Courts 20 months to be determined. The substantive case of the Judicial Review will now begin

Effective December 1, 2022, the Central Bank terminated control of CLICO under Section 44G of the Central Bank Act.

Going concern

CLICO continues to be cash flow positive and profitable on an operating recurring basis (after removing non-recurring and non-operating items) from its existing insurance policies and portfolio of investments. Due to the nature of the policies historically underwritten, CLICO continues to achieve a high degree of matching between its valuable assets and its insurance and investment contract liabilities. Further, as detailed in Note 21, the Company has the ability to exercise its discretion in repaying its debt security obligations and has the ability to be able to meet all of its obligations as they fall due.

In the meantime it has been determined that for the long-term future as an insurance company, CLICO needs to recommence the writing of new business, with all the requisite approvals from the Central Bank.

Given that the Company has the ability to continue as a going concern due to the strength of its assets and has no plans to cease operations despite the run-off of its ongoing policies in the next 18 months, the Directors have concluded that the financial statements should be prepared on a going concern basis.

The separate financial statements for December 31, 2022 were approved for issue on March 22, 2023, by the Board of Directors of the Company.

2. Basis of Preparation

(a) Adoption of standards

For Financial year ended December 31, 2021 CLICO implemented International Financial Reporting Standard (IFRS) 1 – *First-time adoption of International Financial Reporting Standards*. Prior to 2021 CLICO's financial statements were prepared as special purpose financial statements and were in accordance with most IFRSs as issued by the International Accounting Standards Board except for the application of IFRS 10 - Consolidated Financial Statements. This standard outlines the requirements for the preparation and presentation of consolidated financial statements, requiring the entities to consolidate entities it controls.

These financial statements comprise of a full set of financial statements that includes a Statement of Financial Position, Statement of Profit and Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows all in accordance with IFRSs applicable from the year end December 31, 2021.

IFRS 1 require the assessment of the below areas:

(a) Reconciliations of equity reported under previous reporting to equity under IFRS both at the date of transition to IFRSs and the end of the last annual period reported.

(b) Reconciliations of total comprehensive income for the last annual period reported under the previous standards to total comprehensive income under IFRSs for the same period.

(c) Explanation of material adjustments that were made, in adopting IFRSs for the first time, to the statement of financial position, statement of comprehensive income and statement of cash flows.

(d) Appropriate explanations if the entity has elected to apply any of the specific recognition and measurement exemptions permitted under IFRS 1.

As at the reporting date, a full retrospective application of all IFRS at the transition date and the entity's prior year was conducted and there were no necessary adjustments required. The implementation of compliance with IFRS had no significant impact on the financial statements in value or presentation.

The Company uses the same accounting policies throughout all periods presented in its first IFRS financial statements and all polices are in accordance with IFRS at the reporting date.

These accounts therefore carry no transition reconciliations for prior year reporting.

2. Basis of Preparation (continued)

(b) Basis of accounting

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). They present fairly the financial position, financial performance and cash flow of the organisation. It is a faithful representation of the effects of transactions, other events and conditions in accordance with the definition and recognition criteria for assets, liabilities, income and expenses set out in the framework.

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis except for land and buildings, investment securities, investment properties, investment in subsidiaries and associates, assets held for sale and insurance contracts which are all measured at fair value.

These financial statements have been prepared taking into account directives issued by the CBTT to the Company:

1. CLICO's traditional insurance portfolio will be transferred, for value, to an acquiring insurance company.
2. CLICO ceased selling new business with limited exceptions from September 1, 2014.

(d) Functional and presentation currency

The financial statements are presented in Trinidad and Tobago dollars, which is the Company's functional currency. Except as otherwise indicated, financial information presented in Trinidad and Tobago dollars has been rounded to the nearest thousand.

(e) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual amounts may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty that have a significant risk of resulting in a material change to assets and liabilities in the next financial year, and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 4.

3. Significant Accounting Policies

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

(a) Foreign currency translation

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

However, foreign currency differences arising from the translation of investment in equity securities and subsidiaries designated at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss) are recognised in OCI.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined.

(b) Property and equipment

(i) Recognition and measurement

Land and buildings comprise mainly former agency locations and offices occupied by the Company. Land and buildings are shown at fair value less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Valuations are made on the basis of current prices in an active market.

Artwork, which mainly comprised paintings commissioned for the Company's annual calendars, were valued in 2011 and that value was deemed to be at cost and included in property and equipment. Artwork is shown at deemed cost less depreciation over its useful life. Useful life is determined to be equivalent to that of the buildings on which they hang. All other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Management is of the opinion that this gives a fair indication of realisable value if these items were sold in an orderly sale.

(ii) Subsequent costs

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

3. Significant Accounting Policies (continued)

(b) Property and equipment (continued)

(ii) Subsequent costs (continued)

Increases in the carrying amount on revaluation of land and buildings are recognised in other comprehensive income and accumulated in valuation reserves. Decreases that offset previous increases of the same asset are charged against those reserves; all other decreases are charged to profit or loss.

(iii) Depreciation

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

	Method	**Rate**
Buildings (including right-of-use assets and artwork)	Straight line	2%
Furniture, fixtures and equipment	Reducing balance	10%-20%
Motor vehicles	Reducing balance	20%
Software	Straight Line	25%

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

At the reporting date, the Company performs an assessment of the carrying amounts of property and equipment for indicators of impairment. If any such indication exists, then the asset`s recoverable amount is estimated. Where the carrying amount of an asset is greater that its estimated recoverable amount, it is written down to its recoverable amount.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts. These are included in profit or loss. When revalued assets are sold, the amounts included in the valuation reserve are transferred to accumulated surplus. The transfer is not made through profit or loss.

3. Significant Accounting Policies (continued)

(c) Investment properties

Properties that are not occupied by the Company and held for long-term rental yields and/or capital appreciation are classified as investment properties.

Investment properties, principally comprising office buildings, are carried at fair value and changes in fair value are recorded in profit or loss. Fair value is based on current prices in an active market for all properties. These valuations are done biennial or annually by independent professionally qualified appraisers and in intervening periods, if there are any changes in the economic environment, an assessment of the value is conducted.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of property and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in statement of changes in equity as a revaluation of property and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to accumulated surplus; the transfer is not made through profit or loss.

(d) Investments in subsidiaries and associates

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in quoted subsidiaries and associated companies are classified as fair value through other comprehensive income and are stated at fair value based on quoted closing market prices.

Investments in unquoted subsidiaries and associated companies are classified as fair value through other comprehensive income and are stated at fair value using valuation techniques.

3. Significant Accounting Policies (continued)

(e) Financial instruments

(i) Recognition

The Company recognises deposits with financial institutions and loans and borrowings on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are initially recognised on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue for a financial asset or financial liability not measured at Fair Value through Profit and Loss (FVTPL). Transaction costs on financial assets carried at fair value through profit or loss are expensed in the statement of profit or loss.

(ii) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and the sum of:

(i) the consideration received (including any new asset obtained less any new liability assumed); and

(ii) any cumulative gain or loss that had been recognized in other comprehensive income (OCI) is recognised in profit or loss.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment in an equity instrument.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred financial assets are not derecognised. Transfers of assets with retention of all or substantially all of the risks and rewards include, for example, securities lending and repurchase transactions.

3. Significant Accounting Policies (continued)

(e) Financial instruments (continued)

(ii) Derecognition (continued)

In transactions in which the Company neither retains nor transfers substantially all of the risks and reward of ownership of a financial asset and it retains control of the financial asset, the Company continues to recognise the financial asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

(iii) Classification

<u>Financial assets</u>

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contract terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

3. Significant Accounting Policies (continued)

(e) Financial instruments (continued)

(iii) Classification (continued)

Financial assets (continued)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are designated at FVTPL. In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Company has made an irrevocable election at the time of initial recognition to account for equity investments at FVOCI.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;

- how the performance of the portfolio is evaluated and reported to the Company's management; and

- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

Financial assets that are held for trading are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payment of principal and interest.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

3. Significant Accounting Policies (continued)

(e) Financial instruments (continued)

(iii) Classification (continued)

Assessment of whether contractual cash flows are solely payment of principal and interest. (continued)

In considering whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Financial instruments are measured initially at fair value, including any directly attributable transaction costs, except that for financial assets at fair value through profit or loss, transaction costs are included in profit or loss.

Financial assets

Subsequent to initial recognition all financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value, based on their quoted market price at the reporting date without any deduction for transaction costs.

‘Fair value’ is the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

3. Significant Accounting Policies (continued)

(e) Financial instruments (continued)

(iv) Measurement (continued)

Financial assets (continued)

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Financial assets at FVTPL	Measured at fair value. Net gains and losses, including any interest or dividend income and foreign exchange gains and losses, are recognised in profit and loss.
Debt Investments at FVOCI	Measured at fair value. Interest income calculated using the effective interest rate method; foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in OCI and accumulated in the fair value reserve. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity Investments at FVOCI	Measured at fair value. Dividends are recognised as income in profit or loss unless they clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.
Financial assets at amortised cost	Measured at amortised cost using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on decrecognition is also recognised in profit or loss.

Financial liabilities

All non-trading financial liabilities are measured at amortised cost.

3. Significant Accounting Policies (continued)

(e) Financial instruments (continued)

(v) Fair values of financial assets and liabilities

The fair value of financial assets and financial liabilities is determined as follows:

i. The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

ii. The fair value of other financial assets and liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The separate financial statements include holdings in unquoted shares which are measured at fair value (Notes 8 to 10). Fair value is estimated using a discounted cash flow model, which includes some assumptions which are not supportable by observable market prices or rates. If the fair value of unquoted equities cannot be measured reliably, these financial assets are measured at cost, being the fair value of the consideration paid for the acquisition of the investment less impairment losses. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

(vi) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

(vii) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Amortised cost is calculated on the effective interest rate method.

Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

3. Significant Accounting Policies (continued)

(e) Financial instruments (continued)

(vii) Designation at fair value through profit or loss

Management designates financial assets and financial liabilities at fair value through profit or loss when the assets or liabilities are managed and reported internally on a fair value basis, or the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(f) Impairment of financial assets

IFRS 9 with its forward-looking 'expected credit loss' (ECL) model is used for the impairment review of the Company's financial assets. The impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI and lease receivables.

ECL can be calculated as lifetime or twelve months ECL. Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECL is the portion of ECL that results from default events that are possible within the 12 months after the reporting date.

The Company recognises loss allowances for ECL on:

- Financial assets measured at amortised cost; and
- Debt investments measured at FVOCI;

The Company measures loss allowances at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised is a 12-month ECL:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments (other than lease receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

(i) Measurement of ECL

ECL is a probability-weighted estimate of credit losses and is measured as follows:

- *Financial assets that are not credit-impaired at the reporting date*: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive; and

3. Significant Accounting Policies (continued)

(f) Impairment of financial assets (continued)

(i) Measurement of ECL (continued)

- *Financial assets that are credit impaired at the reporting date*: the difference between the gross carrying amount and the present value of the estimated future cash flows.

The key inputs into the measurement of ECL are the term structures of the following variables:

- Probability of default (PD) is an estimate of the likelihood of default over a given period of time. To determine lifetime and 12 month PDs, the Company uses the PD tables supplied by Standard and Poors (S&P) based on the default history of obligors with the same rating.

- Loss given default (LGD) is the magnitude of the likely losses if there is a default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral.

- Exposure at default (EAD) represents the expected exposure in the event of a default. The Company derives EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortization, and prepayments. The EAD of a financial asset is its gross carrying amount.

(ii) Credit impaired financial assets

At each reporting date, the Company assesses whether financial assets measured at amortised cost and debt investments at FVOCI are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as default or past-due event;
- The restructuring of an amount due to the Company on terms that the Company would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

3. Significant Accounting Policies (continued)

(f) Impairment of financial assets (continued)

(ii) Credit impaired financial assets (continued)

A financial asset that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In assessing whether an investment in sovereign debt is credit impaired, the Company considers changes in the rating agencies' assessments of creditworthiness from the date of purchase.

(iii) Write off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(g) Impairment – non-financial assets

The carrying amounts of the Company's other assets, other than deferred tax assets see accounting policy 3(f), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

(i) Calculation of recoverable amount

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. Significant Accounting Policies (continued)

(h) Cash and cash equivalents

For the purpose of the cash flow statement, cash comprises cash in hand and deposits held at call with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risk of change in values and are held for meeting short-term cash commitments rather than for investment purposes.

These comprise investments in money market instruments and short-term deposits with original maturities of three months or less, net of bank overdrafts. Cash and cash equivalents are measured at amortised cost.

(i) Insurance and investment contracts – classification

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

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

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

(j) Insurance contracts

(1) Recognition and measurement

The Company issues insurance contracts that can be classified into two main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

Long-term insurance contracts

These contracts insure events associated with human life (for example death, or survival) over a long duration.

They include the following:

i. Ordinary Life contracts – These contracts provide for payment of a known sum in the event of the death of the policyholder. The main risk is the premature death of the policyholder. The Company takes on this risk by contracting to pay the sum assured on death in return for a premium.

3. Significant Accounting Policies (continued)

(j) Insurance contracts (continued)

(1) Recognition and measurement (continued)

ii. Critical Illness contracts – These contracts provide for payment of the sum insured upon diagnosis of one of the critical illnesses specified in the contract. The main risk is the premature diagnosis of the specific critical illness. The Company takes on the risk by contracting to pay the sum insured in return for a premium.

iii. Individual Annuity, Group Annuity and Flexible Premium Annuity (FPA) contracts – These include deferred or immediate annuity and FPA contracts. These contracts provide for payment of a regular income upon maturity of the contract in the case of deferred annuities and for immediate commencement of payments in the case of an immediate annuity. The main risk is the policyholder outliving the life expectancy adopted for underwriting the policies.

The Company takes on this risk by contracting to provide an income to the policyholder while alive in return for an insurance premium.

Long-term insurance premium income is accounted for in profit or loss on the accrual basis. Premiums are shown before the deduction of commissions. Benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that is expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the expected benefit payments and the future administration expenses that are directly related to the contract, less the discounted value of the expected future contractual premiums (if any). In order to determine the liability, assumptions deemed appropriate by the Actuary, are made in respect of mortality, persistency, maintenance expenses and investment income that may occur over the future lifetime of a contract. A margin for adverse deviations is included in the assumptions.

The liabilities are recalculated at each reporting date using the assumptions established at that date.

3. Significant Accounting Policies (continued)

(j) Insurance contracts (continued)

(1) Recognition and measurement (continued)

Short-term insurance contracts

These contracts are short-duration life insurance contracts that are issued to employers which insure against the consequences of the death of employees that would affect the ability of his/her dependants to maintain their current level of income. These contracts are renewable annually. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

Short-term insurance premiums are accounted for in profit or loss on the accrual basis. Premiums are shown before deduction of commission.

Benefits are recorded as an expense when they are incurred. Liabilities are estimated using the unearned premium approximation. This approximation is checked for reasonableness against the claims and expense experience of the group of contracts.

Provision for unearned premiums represents the proportions of short-term insurance premiums written in the year, which relate to periods of insurance subsequent to the reporting date and are computed on a pro-rata basis.

The provision for unexpired risks represents amounts set aside at the year-end, in addition to unearned premiums, in respect of subsequent risks to be borne by the Company under contracts of short-term insurance in force at the year-end.

(2) Liability adequacy test

The Company assesses at each reporting date whether the Company's recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts.

Current best estimates of future contractual cash flows, claims handling, administration expenses, as well as investment income from the assets backing such liabilities are all used to perform the annual actuarial valuation of the Company's long-term insurance liability. As such, no separate liability adequacy test is required. Details of the assumptions adopted in this valuation are disclosed in Note 17.2.

3. Significant Accounting Policies (continued)

(j) Insurance contracts (continued)

(3) Outstanding claims

Claims outstanding comprise the estimated cost of claims incurred but not settled at the end of the year. The provision is determined using the best information available of claims settlement patterns, anticipated inflation and settlement of claims.

Differences between the estimated cost and subsequent settlement of claims are recognised in the year in which they are settled or in which the claims outstanding are re-estimated and such differences could be significantly different.

The provision for unearned premium represents the portion of premiums written relating to the periods of insurance coverage subsequent to the end of the year.

(4) Receivables and payables related to insurance contracts

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

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

(5) Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

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

3. Significant Accounting Policies (continued)

(j) Insurance contracts (continued)

(5) Reinsurance contracts held (continued)

The Company assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated using the same method used for these financial assets.

(k) Investment contracts

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Any contract not recognised as an insurance contract under IFRS 4 is classified as an investment contract. The Company's investment contracts are classified as deposit administration contracts, managed funds and Executive Flexible Premium Annuity (EFPA)/Group Advanced Protection (GAP)/Group Annuity Advanced Performance Policy (GAAPP) policies.

Deposit administration business

These are investment products issued by the Company to registered pension schemes and used for accumulating retirement benefits for employees of an entity. The funds are normally used to purchase immediate annuities for the employees upon retirement.

Deposit administration contributions are recorded directly as liabilities. Withdrawals are deducted directly from the liability.

The interest or investment return provided to contract holders is recorded as 'investment contract expenses.

Managed Funds business

The managed fund is a unitised fund which is sold to pension plans. The pension plans' funds as well as their subsequent net inflows/outflows of contributions, benefits and expenses are used to purchase/sell units in the managed fund. The proceeds from units purchased by the pension plans are invested in specific investments, which are pooled, and the pension plans bear the investment risk. A valuation of the investment portfolio ascertaining the fair value of the assets and investment income earned is performed each month to determine the offer and bid prices of the units. The Company acts as a facilitator for the trading of units and can also be a holder of units at any valuation date. The units held by the Company are kept as a reserve, the value of which is separated from the pension plans units and credited to shareholders' equity. Administration and investment management fees are charged to the pension plans for services provided by the Company.

3. Significant Accounting Policies (continued)

(k) Investment contracts (continued)

EFPA/GAP/GAAPP policies

This is a flexible single premium accumulation annuity product. GAP policies are corporate owned EFPAs and GAAPP policies formed a new group of single premium deferred accumulation annuity policies introduced in 2008. Additional premiums attracted the prevailing interest rate at the time. The interest accruing to policyholders is recorded as an investment contract expense.

The Company discontinued the sale of these products in 2010.

(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Preference shares, which are mandatorily redeemable, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as interest expense.

(m) Taxation

Corporation tax on long-term business (other than approved annuity business) is charged annually at 15% on investment income derived from the investment of the assets supporting policyholder liabilities less allowable investment expenses in relation thereto. The profits of approved annuity business are not chargeable to tax except to the extent that such profits are distributed to shareholders. Corporation tax is also due at the rate of 25% on profits of long-term insurance business and non-insurance business transferred to the account of shareholders and 30% on general insurance business.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

3. Significant Accounting Policies (continued)

(m) Taxation (continued)

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

Deferred tax is calculated on the basis of the tax rate that is expected to apply to the period when the asset is realised or the liability is settled. The effect on the deferred tax of any changes in the tax rate is charged to profit or loss, except to the extent that it relates to items previously charged or credited directly to OCI or equity, in which case the charge is made to OCI or equity as appropriate.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(n) Provisions

Provisions are recognised when the Company has 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 the amount has been reasonably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required to settle the obligation is determined by considering the class of obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item in the same class of obligations may be small.

(o) Revenue recognition

IFRS 15 *Revenue from Contracts with Customers* does not have any material impact on the accounting policies as the Company's primary activity is long-term, group and annuity insurance business.

The insurance products revenue recognition is defined in IFRS 4 (see note 3(j) on premium income).

3. Significant Accounting Policies (continued)

(o) Revenue recognition (continued)

Fee income

The Company is the advisor, manager and distributor of the Colonial Life Family of Funds. Front-end fees are charged to the customers of the Core (Series VI) and Power (Series VI) Funds. These front-end fees are for a guarantee that the Company provides to the customer for principal and for a specific interest rate of return over a specified period of time. This fee is accounted for in the period in which the contract is made.

Fees arising from asset management and other investment related services are recognised in the accounting period in which the services are rendered.

(i) Interest

(a) Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

– the gross carrying amount of the financial asset; or
– the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

3. Significant Accounting Policies (continued)

(o) Revenue recognition (continued)

(i) Interest (continued)

(b) Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- interest on financial assets and financial liabilities measured at amortised cost;
- interest on debt instruments measured at FVOCI.

Interest expense presented in the statement of profit or loss and OCI includes:

- financial liabilities measured at cost;
- negative interest on financial assets; and
- interest expense on lease liabilities.

Cash flows related to capitalised interest are presented in the statement of cash flows consistently with interest cash flows that are not capitalised.

(ii) Investment income

Investment income comprises dividends, rent and loan interest for the year, and realised profits and losses on sale of investments. Dividends are recognised when the rights to receive payment are established. Interest is recognised on a time proportion basis using the effective interest method.

(iii) Rental income

Rental income is recognised on the accrual basis.

(iv) Net trading income (income from investment securities at FVTPL)

'Net trading income' comprises gains less losses related to trading assets and liabilities, and includes all fair value changes, interest, dividends and foreign exchange differences.

3. Significant Accounting Policies (continued)

(p) Expenses of management

Expenses of management are allocated directly to the individual funds where applicable. Other expenses not directly allocated are apportioned to the individual funds in the ratio of direct salary costs for the year.

(q) Leases

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset. This may be specified explicitly or implicitly, and should be physically distinct or
- represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

As a lessee

The Company mainly leases various office space, motor vehicles and equipment used in its operations. Rental contracts for these leases are typically made for fixed periods but may have extension options, which is described below. Some contracts contain lease and non-lease components, which are accounted for as separate components based on the stand-alone prices stated in the contracts. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

The Company applies a single recognition and measurement approach to all leases, except for short-term leases and leases of low-value assets.

At lease commencement date, the Company recognises a right-of-use asset and a lease liability in the statement of financial position.

3. Significant Accounting Policies (continued)

(q) Leases (continued)

As a lessee (continued)

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

– Lease payments included in the measurement of the lease liability comprise the following:
– fixed payments, including in-substance fixed payments;
– variable lease payments that depend on an index or a rate, initially measured using the index or
– rate as at the commencement date;
– amounts expected to be payable under a residual value guarantee; and
– the exercise price under a purchase option that the Company is reasonably certain to exercise,
– lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
– penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

3. Significant Accounting Policies (continued)

(q) Leases (continued)

As a lessee (continued)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made.

It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property and equipment' and lease liabilities on the face of the statement of financial position.

The Company presents right-of-use assets that meet the definition of investment property at fair value under IAS 40 as investment property.

As a lessor

The Company leases out its investment properties. The Company has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Rental income arising is accounted for on a straight-line basis over the lease term and is included in other income in profit or loss.

3. Significant Accounting Policies (continued)

(r) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognized for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit or loss.

A gain or loss not previously recognized by the date of the sale of the noncurrent asset is recognized at the date of derecognition.

Once classified as held-for-sale, property and equipment are no longer amortised or depreciated. Interest and other expenses attributable to the liabilities directly associated with assets held for sale continue to be recognised.

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities directly associated with assets held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

An asset classified as an asset held for sale but the criteria for held for sale are no longer met, shall cease to classify as asset as held for sale.
A non-current asset that ceases to be classified as held for sale shall be measure at the lower of:

(a) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held for sale or as held for distribution to owners, and

(b) its recoverable amount at the date of the subsequent decision not to sell or distribute.

3. Significant Accounting Policies (continued

(s) New, revised and amended standards interpretations that became effective during the year

Certain new and amended standards came into effect during the current financial year. The Company has assessed them and has adopted those which are relevant to its financial statements:

- Amendments to IAS 37 *Provision,* C*ontingent Liabilities and Contingent Assets* is effective for annual periods beginning on or after January 1, 2022 and clarifies those costs that comprise the costs of fulfilling the contract.

  The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification will require entities that apply the 'incremental cost' approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

  The amendment had no significant impact on the Company's financial statements.

- Amendments to IAS 16 *Property, Plant and Equipment*, effective for annual periods beginning on or after January 1, 2022, will mainly affect extractive and petrochemical industries and include the following guidance.

  In the process of making an item of property, plant and equipment (PPE) available for its intended use, a company may produce and sell items – e.g. minerals extracted in the process of constructing an underground mine or oil and gas from testing wells before starting production. It provides guidance on the accounting for such sale proceeds and the related production costs.

  Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 *Inventories* should be applied in identifying and measuring these production costs.

  Companies will therefore need to distinguish between, costs associated with producing and selling items before the item of PPE is available for use, and costs associated with making the item of PPE available for its intended use. Making this allocation of costs may require significant estimation and judgement. Companies in the extractive industry may need to monitor costs at a more granular level.

3. Significant Accounting Policies (continued

(s) New, revised and amended standards interpretations that became effective during the year (continued)

- Amendments to IAS 16 *Property, Plant and Equipment* (continued)

  The amendments also clarify that testing whether an item of PPE is functioning properly means assessing its technical and physical performance rather than assessing its financial performance – e.g. assessing whether the PPE has achieved a certain level of operating margin.

  For the sale of items that are not part of a company's ordinary activities, the amendments require the company to; disclose separately the sales proceeds and related production cost recognised in profit or loss, and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

  The amendment had no significant impact on the Company's financial statements.

- Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards,* IFRS *9 Financial Instruments,* IFRS 16 *Leases,* IAS 41 *Agriculture,* and are effective for annual periods beginning on or after January 1, 2022.

  i. IFRS 9 *Financial Instruments* amendment clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  ii. IFRS 16 *Leases* amendment removes the illustration of payments from the lessor relating to leasehold improvements.

  iii. The amendments to IAS 41 *Agriculture* removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 *Fair Value Measurement.*

  The amendment had no significant impact on the Company's financial statements.

(Expressed in thousands of Trinidad and Tobago dollars)

3. Significant Accounting Policies (continued)

(t) New, revised and amended standards and interpretations not yet effective

At the date of authorisation of these financial statements, certain new and amended standards and interpretations have been issued which were not effective for the current year and which the Company has not early-adopted. The Company has assessed them with respect to its operations and has determined that the following are relevant:

- IFRS 17 *Insurance Contracts*, effective for annual reporting periods beginning on or after January 1, 2023 replaces IFRS 4 *Insurance Contracts* and provides three models to apply to all insurance contracts: the general model, the variable fee approach and the premium allocation approach.

Insurance Contracts (IFRS 17) & Financial Instruments (IFRS9)

Glossary of Acronyms			
CSM	Contractual Service Margin	LIC	Liabilities for Incurred Claims
ECL	Expected Credit Loss	LRC	Liabilities for Remaining Coverage
FVTOCI	Fair Value Through Other Comprehensive Income	PAA	Premium Allocation Approach
GMM	General Measurement Model	SPPI	Solely Payments of Principal and Interest

The Company will adopt IFRS 17 in conjunction with updates and Re-Classification and Measurement under IFRS 9 Financial instruments (“IFRS 9") on the required effective date of January 1, 2023, which replace IFRS 4 *Insurance Contracts* ("IFRS 4") initial Classification & Measurement for IFRS 9 undertaken in 2018, respectively. While IFRS 9 was effective for annual periods beginning on or after January 1, 2018, the move to IFRS 17 allows the Company to revisit the election for the assets to be recognized at Fair Value (with appropriate amortization or impairment), FVTPL or FVOCI and liabilities whose effect of changes in discount rate on projected liabilities can be recognized through profit or loss or through other comprehensive income.

IFRS 17 will be applied retrospectively as at January 1, 2022 to each group of insurance contracts, as a result comparative information will be restated. If full retrospective application is impracticable, the modified retrospective approach or the fair value approach could be applied. The Company will apply the fair value approach. The Company will recognize any IFRS 9 measurement differences by adjusting its balance sheet on January 1, 2023, as a result comparative information will not be restated.

3. Significant Accounting Policies (continued)

(t) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 17 *Insurance Contracts* (continued)

Implementation update

The Company has finalized the determination of its accounting policies and continues its efforts towards documenting detailed requirements, testing and completion of implementation to allow for the comparative period re-runs under the newly designed business processes. The Company has finalized the development, testing, and implementation of the new technology solutions that will enable it to meet the requirements of the standards. In addition, the Company is finalizing its IFRS 17 opening balance sheet as at January 1, 2022, and is progressing with the restatement of its 2022 financial statements based on the testing noted above.

A. Estimate impact of the Adoption of IFRS 17

CLICO also continues to refine and enhance its IFRS 17 reporting and disclosure processes. Based on the experience and the assessments conducted to date, CLICO is not-in a position to fully quantify the IFRS 17 insurance contract liabilities compared to the current IFRS 4 insurance contract liabilities on transition date. CLICO will state more detailed comparative information upon the finalization of its IFRS 17 policy papers (see (B)(ix) and CBTT regulatory requirements in 2023 as the figures are re-run. As a result, the assessment above is based on policy decisions that have not been completely finalised. The actual quantitative impact of adopting IFRS 17 on January 1, 2023 may change because:

(i) CLICO may refine its IFRS 17 reporting process and policy decisions based, new insurance and capital regulations to be published by the regulator.

The implementation of the IFRS 17 standard involves significant enhancements to IT, actuarial and finance systems of CLICO. The Company has an entity-wide implementation programme to implement IFRS 17. The programme is responsible for setting accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing appropriate data and implementing actuarial and finance system changes.

(ii) CLICO is continuing to refine the new accounting processes and internal controls required for applying IFRS 17; and

(iii) the new accounting policies, assumptions, decisions and estimation techniques employed are subject to change until CLICO finalises its first financial statements that include the date of initial application.

3. Significant Accounting Policies (continued)

(t) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 17 *Insurance Contracts* (continued)

Implementation update (continued)

A. Estimate impact of the Adoption of IFRS 17 (continued)

An entity-wide IFRS 17 Working Group, chaired by the Chief Financial Officer and includes the key Finance managers, provides oversight and strategic direction to the implementation programme. A number of sub-committees are also in place to provide governance over the technical interpretation and accounting policies selected, design and delivery of the programme.

During 2022, CLICO finalised its technical positions and commenced the building and testing of new IT, actuarial and finance systems.

B. IFRS 17 Insurance Contracts

Below are key IFRS 17 policy discussions:

i. Identifying contracts in the scope of IFRS 17

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of CLICO's insurance contracts issued and reinsurance contracts held. For insurance contract issued and reinsurance contract held, CLICO will continue to treat all individual life and annuities, as well as group life, creditor and health as insurance contracts given these contracts transfer significant insurance risk.

Group Pension (Managed Fund and Deposit Administration) and EFPA contracts that transfer financial risk will continue to be classified as investment contracts under the scope of IFRS 9.

When identifying contracts in the scope of IFRS 17, CLICO had to assess whether a set or series of contracts needs to be treated as a single contract and whether embedded derivatives, investment components and goods and services components had to be separated and accounted for under another standard.

3. Significant Accounting Policies (continued)

(t) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 17 *Insurance Contracts* (continued)

B. IFRS 17 Insurance Contracts (continued)

ii. Level of aggregation

Under IFRS 17, insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in different product lines or issued by the Company are expected to be in different portfolios. Each portfolio is then divided into annual cohorts (i.e. by year of issue) and each annual cohort into groups:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

The level of aggregation requirements of IFRS 17 limit the offsetting of gains on groups of profitable contracts, which are generally deferred as a CSM, against losses on groups of onerous contracts, which are recognised immediately (see (v) and (vi)).

iii. Contract boundaries

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group.

Compared with the current accounting, certain contracts under IFRS 17 contract boundary requirements may change the scope of cash flows to be included in the measurement of existing recognised contracts, as opposed to future unrecognised contracts. The period covered by the premiums within the contract boundary is the ‘coverage period’, which is relevant when applying a number of requirements in IFRS 17.

3. Significant Accounting Policies (continued)

(t) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 17 *Insurance Contracts* (continued)

B. IFRS 17 Insurance Contracts (continued)

iii. Contract boundaries (continued)

Insurance contracts

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and investment services). A substantive obligation to provide services ends when:

- CLICO has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- CLICO has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

Reinsurance contracts

For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which CLICO is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

Some of the Company’s quota share reinsurance treaties cover underlying contracts issued within the annual term on a risk-attaching basis and provide unilateral rights to both the Company and the reinsurer to terminate the attachment of new underlying contracts at any time by giving three months’ notice to the other party.

3. Significant Accounting Policies (continued)

(t) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 17 *Insurance Contracts* (continued)

B. IFRS 17 Insurance Contracts (continued)

iv. Measurement – Overview

IFRS 17 introduces a measurement model based on the estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM. For an explanation of how CLICO will apply the measurement model, see (v). Contracts are subject to different requirements depending on whether they are classified as direct participating contracts or contracts without direct participation features.

All insurance contracts and all reinsurance contracts are expected to be classified as contracts without direct participation features, that is, the Company does not expect to apply the Variable Fee Approach (VFA) to any of its insurance contracts issued or reinsurance contracts held.

Premium Allocation Approach (PAA)

The Premium Allocation Approach (PAA) is an optional simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria. PAA will be used for reinsurance agreement covering Group business where the contract boundary of the reinsurance agreement is less than one year. For an explanation of how CLICO will apply the PAA methodology, see (vi).

CLICO expects that it will apply the PAA to all contracts in the Group Life, Creditor and Health segment because the following criteria are expected to be met at inception.

- The coverage period of each contract in the group is one year or less.
- The Company reasonably expects that the resulting measurement of the liability for remaining coverage would not differ materially from the result of applying the accounting policies described above.

3. Significant Accounting Policies (continued)

(t) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 17 *Insurance Contracts* (continued)

v. Measurement – Life contracts

Insurance contracts

On initial recognition, the Company will measure a group of contracts as the total of (a) the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM. The fulfilment cash flows of a group of contracts do not reflect CLICO's non-performance risk.

The CSM of a group of contracts represents the unearned profit that CLICO will recognise as it provides services under those contracts. On initial recognition of a group of contracts, the group is not onerous if the total of the following is a net inflow:

(a) the fulfilment cash flows;
(b) any cash flows arising at that date; and
(c) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows; see below).

In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition. If the total is a net outflow, then the group is onerous and the net outflow is generally recognised as a loss in profit or loss; a loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue (see (viii)).

Subsequently, the carrying amount of a group of contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

3. Significant Accounting Policies (continued)

(t) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 17 *Insurance Contracts* (continued)

v. Measurement – Life contracts (continued)

Insurance contracts (continued)

(i) The fulfilment cash flows of groups of contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows.

Changes relating to future services	Adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous)
Changes relating to current or past services	Recognised in the insurance service result in profit or loss
Effects of the time value of money, financial risk and changes therein on estimated future cash flows	Recognised as insurance finance income or expenses

(ii) The CSM is adjusted subsequently only for changes in fulfilment cash flows that relate to future services and other specified amounts and is recognised in profit or loss as services are provided. The CSM at each reporting date represents the profit in the group of contracts that has not yet been recognised in profit or loss because it relates to future service.

Reinsurance contracts

Reinsurance contracts are entered into to cover CLICO's Individual and Group Life, Group Creditor and Group Health products.

3. Significant Accounting Policies (continued)

(t) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 17 *Insurance Contracts* (continued)

v. Measurement – Life contracts (continued)

Reinsurance contracts (continued)

The carrying amount of a group of reinsurance contracts at each reporting date is the sum of the reinsurance contract held asset/liability for remaining coverage and the reinsurance contract held asset/liability for incurred claims. The reinsurance contract held risk adjustment for non-financial risk will represent the amount of risk being transferred by the Company to the reinsurer.

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Under IFRS 17, for life contracts, insurance acquisition cash flows are allocated to groups of contracts using systematic and rational methods based on the total premiums for each group.

Insurance acquisition cash flows do not materially impact the measurement of Liability for Remaining Coverage and the Company has elected to immediately recognize insurance acquisition expense in profit or loss as they are incurred.

vi. Measurement – Group Life, Health and Creditor Life contracts

On initial recognition of each group of Group Life, Health and Creditor Life insurance contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition. CLICO will elect to recognise insurance acquisition cash flows as expenses when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any further premiums received and decreased by the amount recognised as insurance revenue for services provided. CLICO expects that the time between providing each part of the services and the related premium due date will be no more than a year. Accordingly, as permitted under IFRS 17, CLICO will not adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

3. Significant Accounting Policies (continued)

(t) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 17 *Insurance Contracts* (continued)

vii. Measurement – Significant judgements and estimates

Estimates of future cash flows

In estimating future cash flows, the Company will incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows will reflect CLICO's view of past experience and current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, CLICO will take into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts will not be taken into account until the change in legislation is substantively enacted.

Discount rates

For groups of insurance contracts measured under the General Model approach (GMM): most of CLICO's cash flows do not vary based on returns of any underlying items. Therefore, the discount rates will purely reflect the characteristics of insurance contracts and be delinked from the underlying assets.

For groups of insurance contracts measured under the Premium Allocation approach (PAA): the coverage period is less than one year. It is not subject to significant time value of money. Therefore, CLICO will not apply discount rate to contracts measured under the PAA

Discount rates for reinsurance contracts held will be discounted using the same discount rates compared to direct insurance contracts.

The locked-in discount rate determined at transition date or initial recognition will be used for interest accretion calculation on the CSM as required by the standard.

3. Significant Accounting Policies (continued)

(t) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 17 *Insurance Contracts* (continued)

vii. Measurement – Significant judgements and estimates (continued)

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk will be determined to reflect the compensation that CLICO would require for bearing non-financial risk and its degree of risk aversion. The Company will disclose the range of confidence level that the risk adjustment fall within in future disclosures, as required by the standard.

Contractual Service Margin (CSM)

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year, by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units will be reviewed and updated at each reporting date for each IFRS 17 Group.

viii. Presentation and disclosure

IFRS 17 will significantly change how insurance contracts and reinsurance contracts are presented and disclosed in financial statements.

Under IFRS 17, portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances such as insurance receivables and payables and policyholder loans will no longer be presented separately. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) will also be presented in the same line item as the related portfolios of contracts.

3. Significant Accounting Policies (continued)

(t) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 17 *Insurance Contracts* (continued)

viii. Presentation and disclosure (continued)

Under IFRS 17, amounts recognised in the statement of profit or loss and OCI are disaggregated into:

(a) an insurance service result, comprising insurance revenue and insurance service expenses; and
(b) insurance finance income or expenses. Amounts from reinsurance contracts will be presented separately.

The separate presentation of underwriting and financial results under IFRS 17 and IFRS 9 will provide added transparency about the sources of profits and quality of earnings.

Insurance service result

For contracts measured using the general measurement model (GMM), insurance revenue for each year represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows.

For contracts measured using the PAA, insurance revenue is recognised based on an allocation of expected premium receipts to each period of coverage, which is based on the expected timing of incurred insurance service expenses for certain property contracts and the passage of time for other contracts.

Expenses that related directly to the fulfilment of contracts will be recognised in profit or loss as insurance service expenses, generally when they are incurred. Expenses that do not relate directly to the fulfilment of contracts will be presented outside the insurance service result.

Amounts recovered from reinsurers and reinsurance expenses will no longer be presented separately in profit or loss, because CLICO will present them on a net basis as ‘net expenses from reinsurance contracts’ in the insurance service result, but information about these will be included in the disclosures.

3. Significant Accounting Policies (continued)

(t) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 17 *Insurance Contracts* (continued)

viii. Presentation and disclosure (continued)

Insurance finance income and expenses

Under IFRS 17, changes in the carrying amounts of groups of contracts arising from the effects of the time value of money, financial risk and changes therein are generally presented as insurance finance income or expenses. They include changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

IFRS 17 requires extensive new disclosures about amounts recognised in the financial statements, including detailed reconciliations of contracts, effects of newly recognised contracts and information on the expected CSM emergence pattern, as well as disclosures about significant judgements made when applying IFRS 17. There will also be expanded disclosures about the nature and extent of risks from insurance contracts and reinsurance contracts. Disclosures will generally be made at a more granular level than under IFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements.

ix. Transition

Per the Standard, changes in accounting policies resulting from the adoption of IFRS 17 will be applied using a full retrospective approach to the extent practicable. CLICO considers the full retrospective approach impracticable given the historical information required is unavailable due to system migrations, data retention requirements and changes in key management team. Such information includes for certain contracts:

- expectations about a contract’s profitability and risks of becoming onerous required for identifying groups of contracts as the traditional life insurance portfolio has been closed to new business for over 6 years, knowledge of pricing assumptions and discount rates assumed on pricing are not available;
- information about historical cash flows (including insurance acquisition cash flows and other cash flows incurred before the recognition of the related contracts) and discount rates required for determining the estimates of cash flows on initial recognition and subsequent changes on a retrospective basis; and

3. Significant Accounting Policies (continued)

(t) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 17 *Insurance Contracts* (continued)

  ix. *Transition* (continued)

  - information about certain changes in assumptions and estimates without being influenced by hindsight, because they were not documented on an ongoing basis.

  CLICO expects to use the Fair Value approach for determining the CSM (or the loss component) at the transition date.

  Fair value is defined as 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. Under the fair value approach, the CSM (or the loss component) at January 1 2022 will be determined as the difference between the fair value of the insurance contracts at that date and the fulfilment cash flows at that date.

  The cash flows considered in the fair value measurement will be consistent with those that are within the contract boundary (see (iii)). The present value of the future cash flows considered in measuring fair value will be broadly consistent with that determined in measuring the fulfilment cash flows.

  The Company's assessment of the impact of Amendments to IFRS 17 *Insurance Contracts*, is ongoing.

- Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after January 1, 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

  Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

3. Significant Accounting Policies (continued)

(t) New, revised and amended standards and interpretations not yet effective (continued)

- Amendments to IAS 1 *Presentation of Financial Statements* (continued)

  With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

  The Company does not expect the amendment to have a significant impact on its separate financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements* are effective for annual periods beginning on or after January 1, 2023 and may be applied earlier. The amendments help companies provide useful accounting policy disclosures.

  The key amendments to IAS 1 include:

  – requiring companies to disclose their *material* accounting policies rather than their *significant* accounting policies;
  – clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  – clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are consistent with the refined definition of material:

"Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements".

The Company is assessing the impact that the amendment will have on its separate financial statements.

3. Significant Accounting Policies (continued)

(t) New, revised and amended standards and interpretations not yet effective (continued)

- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* are effective for periods beginning on or after January 1, 2023, with early adoption permitted. The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

  The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

  Developing an accounting estimate includes both:

  – selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 *Financial Instruments*; and
  – choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

  The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

  The Company is assessing the impact that the amendment will have on its separate financial statements.

- Amendments to IAS 12 *Income Taxes* are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

  The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

3. Significant Accounting Policies (continued)

(t) New, revised and amended standards and interpretations not yet effective (continued)

- Amendments to IAS 12 *Income Taxes* (continued)

  For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

  For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

  The Company is assessing the impact that the amendment will have on its separate financial statements.

- Initial application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17) are effective for annual reporting periods beginning on or after January 1, 2023. The classification overlay will apply to all financial assets regardless of whether they are, or were, held in respect of insurance activities. This means that an insurer can choose to apply this approach to all financial assets on an instrument-by-instrument basis.

  The eligibility for the classification overlay approach has been expended to those insurers that have adopted IFRS 9 before adopting IFRS 17. This would allow them to reduce any accounting mismatches relating to financial assets that are derecognized in the comparative period.

  An insurer would not be required to apply the new impairment requirements in IFRS 9 when applying the overlay approach. If an insurer does not apply the IFRS 9 impairment requirements under the overlay approach, then it would not be required to restate the impairment of financial assets as previously reported under IAS 39 *Financial Instruments: Recognition and Measurement* simply to present comparative information.

  The Company is assessing the impact that the amendment will have on its separate financial statements.

3. Significant Accounting Policies (continued)

(t) New, revised and amended standards and interpretations not yet effective (continued)

- Classification of liabilities as current or non-current (Amendments to IAS 1) are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted and is to be applied retrospectively. A company will classify a liability as non-current if it has a right to defer settlement for at least 12 months after the reporting date. This right may be subject to a company complying with conditions (covenants) specified in a loan arrangement.

  Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable with 12 months after the reporting date.

  The amendments also clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.

  The Company is assessing the impact that the amendment will have on its separate financial statements.

- Lease liability in a sale and leaseback (Amendments to IFRS 16) are effective for annual reporting periods beginning on or after January 1, 2024 with early application permitted. The amendment confirms that (i) on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction; and (ii) after initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains

  A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

  The Company is assessing the impact that the amendment will have on its separate financial statements.

4. Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Company, at each reporting date, makes estimates and assumptions about the future, that have a significant risk of a material adjustment to the carrying amounts of assets and liabilities in the next financial year. Estimates and underlying judgments are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

4.1 Estimate of future benefit payments and premiums arising from long-term insurance contracts

Actuarial liabilities include two major components: a best estimate reserve and a provision for adverse deviations. This latter provision is established in recognition of the uncertainty in computing best estimate reserves, to allow for possible deterioration in experience and to provide greater comfort that reserves are adequate to pay future benefits.

For the respective reserves, assumptions for mortality and morbidity, lapse, future investment yields, operating expenses and taxes, best estimate assumptions are determined where appropriate for each major product line.

Provisions for adverse deviations are established based on the risk profiles of the business. They are determined within a specific range guided by the Canadian Standards of Practice.

The reserve assumption for each component of policy cash flow consists of an assumption for the expected experience and, separately, a margin for adverse deviation that reflects the degree of uncertainty in the expected experience assumption. The expected experience and the margin reflect the latest current experiences.

Detailed analyses are carried out by the Company's Actuarial Department in conjunction with the Company's Consulting Actuary to determine the best-estimate assumptions.

The Company's best-estimate mortality assumption is based on industry experience, and adjusted with the Company's own experience. The assumed mortality rates for life insurance contracts do not reflect any future mortality improvement. For contracts that insure the risk of longevity (annuity contracts), appropriate but not excessively prudent allowance is made for expected mortality improvements.

The main source of uncertainty is that COVID-19, which was officially deemed a pandemic by the World Health Organization (WHO) on March 11, 2020, would have a significant impact on its insured population. Over 90% of CLICO's actuarial reserves consists of deferred and payout annuities where higher mortality is favourable for the aggregate business. As part of the COVID-19 stress testing, mortality rates were increased by 20% for all lines of business for 2021 and 2022, this resulted in a reserve release of $12,100. The Company has also been tracking deaths reported on its smaller Ordinary Life business. Thus far 48 reported deaths in this portfolio were due to COVID-19 in 2022.

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

4.1 Estimate of future benefit payments and premiums arising from long-term insurance contracts (continued)

Other factors considered include epidemics such as AIDS and wide-ranging lifestyle changes, such as eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the ages in which the Company has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Company is exposed to longevity risk.

Morbidity refers to the claims experience of the critical illness products. The best-estimate assumption is based on industry experience only.

Lapse and expenses studies were performed to determine the best-estimate lapse and per policy future administrative expense assumptions. However, for certain annuity products, estimates of future lapses were not made based on historical experiences.

Under certain contracts, the Company has offered guaranteed annuity options. Under the current conditions, this option is “in the money”. The Actuary has included extra reserves for this option. The process used to decide on the key actuarial assumptions and the sensitivity of the liability to changes in these assumptions is illustrated in Note 17 to these financial statements.

The estimation of incidents incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than the estimation costs of settling claims already notified to the Company, where information about the claim event is available. IBNR claims may not be apparent to the insurer until many years after the event that gave rise to the claim has happened.

The Company’s practice is to record in the accounts of a financial year claims incurred in that year and reported within the first four to six weeks of the following year. The IBNR was established for the individual policies and group policies based on claims reporting lag experience of the past five years.

4.2 Impairment of financial assets

IFRS 9 is a forward-looking ‘expected credit loss’ (ECL) model. The impairment model applies to financial assets measured at amortised cost, debt investments at FVOCI and lease receivables.

The Company’s ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs. Judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk
- The estimation of the amount and timing of future cash flows and collateral values
- The inclusion of overlay adjustments based on judgement and future expectations.

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

4.3 Fair value of financial and non-financial assets

The Company's accounting policy on fair value measurements is set out in Notes 3(b), (c) and (e).

Further details on assets identified as impaired and the respective impairment losses incurred are disclosed in Notes 5.3.1 to these financial statements.

The Company places the fair values that it measures in 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 asset.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes assets valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar assets in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all assets where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the assets.

Fair values of assets and liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other assets the Company determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. These valuation techniques rely on certain assumptions and inputs, and therefore uncertainty is inherent in the fair value estimated. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have an orderly disposal of assets.

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

4.3 Fair value of financial and non-financial assets (continued)

Valuation Framework

The Company has an established control framework for the measurement of fair values. This framework includes the Board Committees which report to the Board of Directors, and have an overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing;
- review of the performance of model valuations;
- a review and approval process for contracting external valuation specialists;
- analysis and investigation of significant monthly valuation movements; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with prior year.

The Company also uses prices readily available on the relevant stock exchanges or broker information.

Significant valuation issues are reported to the Board Audit and Risk Committee.

The table on the next page analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

(Expressed in thousands of Trinidad and Tobago dollars)

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

4.3 Fair value of financial and non-financial assets (continued)

Financial and non-financial assets measured at fair value

	Notes	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000
December 31, 2022					
Land and buildings	6	-	4,500	70,357	74,857
Investment properties	7	-	72,840	106,900	179,740
Investment in associates	8	24,648	-	905,857	930,505
Investment in subsidiaries	9	-	-	2,283,408	2,283,408
Investment securities	10	368,972	8,250,377	1,954	8,621,303
Assets held for sale	14	-	-	58,000	58,000

	Notes	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000
December 31, 2021					
Land and buildings	6	-	30,900	44,117	75,017
Investment properties	7	-	89,400	139,000	228,400
Investment in associates	8	19,450		722,553	742,003
Investment in subsidiaries	9	-	-	2,607,275	2,607,275
Investment securities	10	384,121	1,381,150	1,954	1,767,225
Assets held for sale	14	-	6,933,815	248,935	7,182,750

Level 2 fair value measurements

Investment securities, investment properties, land and buildings and assets held for sale are valued using market data obtained from external, independent sources. This includes quoted prices for similar assets in active markets, prices for identical or similar assets in inactive markets.

There has been no change in the valuation techniques used for these assets.

(Expressed in thousands of Trinidad and Tobago dollars)

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

4.3 Fair value of financial and non-financial assets (continued)

Level 3 fair value measurements

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	Land and Buildings $'000	Investment Properties $'000	Assets Held for Sale $'000	Investment in Associates $'000	Investment in Subsidiaries $'000	Investment Securities (unquoted equities) $'000
December 31, 2022						
Balance at January 1	44,117	139,000	248,935	722,553	2,607,275	1,954
Additions/ transfers	25,657	(7,440)	(176,294)	-	-	-
Disposals	-	(24,000)	(11,750)	-	-	-
Fair value gains (loss)	583	(660)	(2,891)	183,304	(323,867)	-
Balance at December 31	70,357	106,900	58,000	905,857	2,283,408	1,954

	Land and Buildings $'000	Investment Properties $'000	Assets Held for Sale $'000	Investment in Associates $'000	Investment in Subsidiaries $'000	Investment Securities (unquoted equities) $'000
December 31, 2021						
Balance at January 1	35,483	301,550	243,248	654,303	2,583,173	1,954
Additions/ transfers	9,265	(86,600)	-	-	24,102	-
Disposals	-	(68,150)	-	-	-	-
Fair value gains (loss)	(631)	(7,800)	5,687	68,250	-	-
Balance at December 31	44,117	139,000	248,935	722,553	2,607,275	1,954

(Expressed in thousands of Trinidad and Tobago dollars)

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

4.3 Fair value of financial and non-financial assets (continued)

Level 3 fair value measurements (continued)

Total (loss) gains for the year in the above table are presented in the other comprehensive income as follows:

	Land and Buildings $'000	Investment in Associates $'000	Investment in Subsidiaries $'000	Investment Securities (unquoted equities) $'000
2022				
Total (loss) gain recognised:				
(Loss) gain	583	183,304	(323,867)	-

	Land and Buildings $'000	Investment in Associates $'000	Investment in Subsidiaries $'000	Investment Securities (unquoted equities) $'000
2021				
Total (loss) gain recognised:				
(Loss) gain	(631)	68,250	-	-

Unobservable inputs used in measuring fair value

Investments in Associates

Management recognised a $183,304 (2021: $68,250) gain for CL World Brands Limited (CLWB) during the year. The CLWB value was based mainly on the value of its holdings in a company listed on the Trinidad and Tobago stock exchange as at December 31, 2022. This holding represents 90% of the net assets of CLWB.

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

4.3 Fair value of financial and non-financial assets (continued)

Level 3 fair value measurements (continued)

Unobservable inputs to valuation (continued)

Investments in Subsidiaries

The Company's investments in subsidiaries, both unquoted equities, are stated at fair value and categorised as Level 3 of the fair value hierarchy. The total carrying value of these assets is $2.28 billion (2021: $2.6 billion), representing 17.4% (2021:19.8%) of total assets.

Methanol Holdings (International) Limited (MHIL)

In 2022 the Company determined the fair value of its shareholding in MHIL using a combination of both the income and the market approach. Both approaches were prepared using inputs specific to each to establish "Low", "Mid", and "High" Implied Enterprise Values for each approach. The "Low" and "High" were prepared as a variance analysis to identify the highs and lows stemming from certain variables.

The average Enterprise Values (EV) for the "Low", "Mid" and "High" were established by combining the two different approaches. To these are then applied the Total Debt, working capital adjustments, taxation, any minority interest and the discount for lack of marketability. This results in the equity value which can then be assigned between the shareholders according to their shareholding. This resulting Mid value using this valuation method was used as the reasonable value for CLICO's shareholding in MHIL of US$337 million.

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

4.3 Fair value of financial and non-financial assets (continued)

Level 3 fair value measurements (continued)

Unobservable inputs to valuation (continued)

Investments in Subsidiaries (continued)

The table below outlines the approach used for the valuation of MHIL, the unobservable inputs and the impact these on the valuation.

Valuation Technique	Significant Unobservable Inputs	Inter-relationship between key unobservable inputs and fair value measurement
The Income Approach was based on Discounted Cash Flow Method applied to the enterprise cash flows to establish the net present value of the entity.	Terminal Year Free Cash Flow Terminal growth rate between 3% Weighted Average Cost of Capital - 'High' of 10%, to a 'Low' of 11.64% the main factors considered are: (i) risk free rate at (ii) the market risk premium (iii) the country risk premium (iv) the beta coefficient Operating Forecasts - revenue, expenses, working capital, capex, taxes etc.	The higher the terminal value the higher Enterprise Value The higher the terminal growth rate the higher the Enterprise Value The Higher the weighted average cost of capital (WACC) the lower the Enterprise Value The higher the beta coefficient the lower the Enterprise Value
The Market Approach was based on using the guideline public company multiples method. This method involved determining the value of by using arm's length capital market transactions involving other publicly trading companies that are similar.	Enterprise Value / Revenue last twelve months was estimated between 2.1x and 2.9x. Enterprise Value / EBITDA last twelve months was between 6.1x, and 10.1x. Enterprise Value / EBITDA new twelve months was between 6.8x and 9.1x. The EBITDA last twelve months, EBITDA new twelve months and Revenue.	The estimated Enterprise Value (EV) would increase or (decrease) if: • The EV/ Revenue last twelve months increases or (decreases). • The EV/ EBITDA last twelve months increases or (decreases) • The EBITDA last twelve months, EBITDA new twelve months and Revenue increases or (decreases)
Final Adjustments to the Combined EV using both methods.	Adjustments to the combined Enterprise Value for the following: (i) Debt (ii) After tax End OF Service Benefits (iii) Net Working Capital (iv) Cash Equivalents (v) Minority Shareholding interests (vi) Costs and Cash Discount for lack of marketability - 6%	The estimated Enterprise Value (EV) would increase or (decrease) if: • The adjustments to the combined Enterprise Value increases or (decreases) • The Discount for Lack of Marketability increases or (decreases)

(Expressed in thousands of Trinidad and Tobago dollars)

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

4.3 Fair value of financial and non-financial assets (continued)

Level 3 fair value measurements (continued)

Unobservable inputs to valuation (continued)

Investments in Subsidiaries (continued)

A sensitivity of the fair value measurement to changes in the inputs is encompassed within this valuation method and is represented by the Low, Mid and High designations. The Low representing the worst case, the Mid representing the normal scenario and the High representing the optimistic view.

In the Income Approach the sensitivity is captured in MHIL's beta coefficient which eventually impacts the WACC. The higher the WACC the lower the EV and Equity Value. Any increase in the beta rate by 23% lead to a 6% reduction in the EV value while a 17% reduction in the beta lead to a 5.39% increase in the EV value

In the Market Approach the sensitivity is accommodated in the 25th percentile, median and 75th percentile tiers. The 25th percentile essentially represents the lower performing comparable companies while the 75th percentile represent the best performing companies based on the multiples. The median represents normal performance. A 1% change in any of the multiples results in a similar 1% change in the eventual EV.

Premium Security Services Limited (PSSL)

The net asset value approach was used to determine the fair value of Premium Security Services Limited (PSSL). This was considered the best approach given the lack of reliable Level 1 and Level 2 inputs. The value of CLICO's 100% holding is derived by taking the net asset value from PSSL 's financial statements. This net asset value is equivalent to the net shareholder equity The unobservable inputs in this approach are essentially PSSL's total assets net of PSSLs total liabilities.

The table below shows the main unobservable inputs:

Valuation Technique	Significant Unobservable Inputs	Inter-relationship between key unobservable inputs and fair value measurement
Net Asset Value Approach - the value of PSSL is based upon the net asset value as derived from PSSL financial statements.	Total assets of PSSL at December 31, 2022: $269,000 (2021: $25,000). Total liabilities of PSSL as at December 31, 2022: $18,000 (2021 $900).	The estimated Enterprise Value (EV) would increase or (decrease) if: • Total assets increases or (decreases) • Total liabilities increases or (decreases)

(Expressed in thousands of Trinidad and Tobago dollars)

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

4.3 Fair value of financial and non-financial assets (continued)

Level 3 fair value measurements (continued)

Fair Value estimation of financial instruments not measured at fair value

The table below shows the financial assets and liabilities not measured at fair value and analyses them by the level in the fair value hierarchy into which the fair value measurement is categorized.

Financial instruments not measured at fair value

	Notes	Level 1	Level 2	Level 3	Total Carrying Values
		$'000	$'000	$'000	$'000
December 31, 2022					
Assets					
Loans and other receivables	12	-	-	358,195	358,195
Bank and short-term deposits	13	-	-	471,878	471,878
Liabilities					
Investment contracts	18	-	-	1,344,467	1,344,467
Mutual funds	19	-	-	7,012	7,012
Due to related parties	20	-	-	128,893	128,893
Loans and borrowings	21	-	-	1,032,184	1,032,184
Accounts payable	22	-	-	348,421	348,421

	Notes	Level 1	Level 2	Level 3	Total Carrying Values
		$'000	$'000	$'000	$'000
December 31, 2021					
Assets					
Loans and other receivables	12	-	-	154,372	154,372
Bank and short-term deposits	13	-	-	313,707	313,707
Liabilities					
Investment contracts	18	-	-	146,939	146,939
Mutual funds	19	-	-	42,661	42,661
Due to related parties	20	-	-	129,389	129,389
Loans and borrowings	21	-	-	1,215,502	1,215,502
Accounts payable	22	-	-	214,891	214,891
Liabilities directly associated with assets held for sale – Investment contracts	14	-	-	1,224,926	1,224,926

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

4.3 Fair value of financial and non-financial assets (continued)

Financial instruments not measured at fair value (continued)

The carrying value approximates to fair value due to its highly liquid nature and the fact that it is readily converted and is subject to insignificant risk of change in value. There were no transfers between levels within 2022.

4.4 Financial asset and liability classification

The Company's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as trading, the Company has determined that it meets the description of trading assets and liabilities set out in Note 3(e).

- In designating financial assets or liabilities at fair value through profit or loss, the Company has determined that it has met one of the criteria for this classification set out in Note 3(e).

4.5 Assets held for sale and discontinued operations

The Company's accounting policy states that the following conditions must be met for an asset to be classified as held for sale:

- Management is committed to a plan to sell;
- The asset is available for immediate sale;
- The sale is highly probable, within 12 months of classifications as assets held for sale; and
- Actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn.

Management determines if the last two items above are not met or will not be met then assets or disposal group cannot be classified as held for sale.

5. Insurance and Financial Risk Management

Introduction and overview

The Company has exposure to the following risks from the use of financial instruments and the issuing of insurance and investment contracts:

i. Insurance risk
ii. Credit risk
iii. Liquidity risk
iv. Market risk

5. Insurance and Financial Risk Management (continued)

Introduction and overview (continued)

v. Operational risk
vi. Capital management

This note presents information about the Company's exposure to each of the above-stated risks and its objectives, policies and processes for measuring and managing risk.

5.1 Risk management framework

As described in Note 1, the Central Bank intervened in the operations of the Company and as a consequence the Central Bank controls the Company through the Board of Directors and an oversight committee.

CLICO's Board of Directors (the Board) has overall responsibility for the establishment and oversight of the Company's Risk Management Framework. Apart from the Board establishing various Board Committees to have more direct oversight of risks within the Company, the Board has ensured the establishment of an Enterprise Risk Management System, an ERM Risk Council and Management Committees to ensure the continuous management of risks.

(a) The Board Finance, Investment and Resolution Committee is charged with the direct oversight of investments and financial risks and the internal control framework for managing these risks.

(b) The Board Audit Committee is responsible for assisting the board of directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting, the internal audit process, the Company's process for monitoring compliance with laws and regulations and the code of conduct.

(c) The Board Governance and Risk Committee has direct oversight over the Company's Enterprise Risk Management System, Internal Control Framework and increased oversight over the company's Governance.

(d) The Board established an Insurance Integrity and Risk Management Committee to appropriately manage insurance operations risks, under the direct oversight of the Board Operations & Assets Recovery Committee.

(e) The day to day management of risk is executed by the Company's management team and day to day operational risks are managed by department managers whereas for more significant transactions Board approval is sought for risk mitigating measures and controls.

(f) The Board continues to have oversight of the Enterprise Risk Management (ERM) System and ERM Risk Council. The ERM Risk Council comprises Senior Management who, collectively and severally, are responsible for the identification, assessment and management of the organization's risks.

5. Insurance and Financial Risk Management (continued)

5.1 Risk management framework (continued)

(g) CLICO continues to assess its Risk Categories to ensure all risks are considered within its Risk Management Framework; these categories are:- Strategic Risks; Compliance Risks; Credit Risk; Insurance Risk; Market and Investment Risk; Liquidity Risk; Operational Risk; Financial Risks; Hazard Risks; Governance Risks.

(h) In addition, CLICO's Risk Tolerance Levels, Risk Categories, Internal Control Framework and Internal Audit's Corporate Risk Assessments are also reviewed and assessed annually as integral elements of the company's Risk Management Framework.

CLICO's ERM is a continuous process whereby risks will be continuously reviewed and assessed by Management to ensure that risks are effectively managed at varying levels and within specific contexts and risk appetite of CLICO. It also provides assurance that all levels of management and employees are focusing their efforts on the most important issues facing the Company, and leveraging their knowledge of risks.

5.2 Insurance risk

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

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities.

This could occur because the frequency of claims and benefits is greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

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

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

5.2.1 Objectives in managing insurance contract risks and mitigation policies and concentration of insurance risks

(a) *Objectives of risk management*

The Company is in the business of accepting risks by issuing insurance contracts for commensurate returns to the shareholders. Effective management of these risks is critical to meeting the expectations of shareholders, policyholders and regulators.

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.2 Insurance risk (continued)

5.2.1 Objectives in managing insurance contract risks and mitigation policies and concentration of insurance risks (continued)

(a) Objectives of risk management (continued)

The objectives of the Company's risk management activities are to: (i) maintain a desirable overall risk profile, (ii) maintain strength in fulfilling contractual obligations to policyholders, and (iii) protect capital and add value to shareholders.

(b) Objectives of risk management

(b) (i) Concentration of insurance risk – Life

The tables below present the concentration of insured benefits across five bands of insured benefits per individual life assured.

	2022	
	$'000	**%**
Insured benefits per life $'000		
0-200	3,219,760	67.29
201-400	1,038,119	21.70
401-800	358,405	7.49
801-1,000	90,761	1.90
More than 1,001	77,551	1.62
Total	4,784,596	100.00

	2021	
	$'000	**%**
Insured benefits per life $'000		
0-200	3,450,778	67.73
201-400	1,090,784	21.41
401-800	370,871	7.28
801-1,000	93,739	1.84
More than 1,001	88,912	1.74
Total	5,095,084	100.00

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.2 Insurance risk (continued)

5.2.1 Objectives in managing insurance contract risks and mitigation policies and concentration of insurance risks (continued)

(b) (ii) Concentration of insurance risk - Annuities

The following tables for annuity contracts illustrate the concentration of risk based on five bands that group these contracts in relation to the amount payable per annum as if the annuity were in payment at the year end. The Company does not hold any reinsurance contracts against the liabilities carried for these contracts.

	2022	
	$'000	**%**
Annuities payable per annum per life		
0-20,000	104,332	52.00
21,000-40,000	40,111	20.00
41,000-80,000	30,974	15.00
81,000-100,000	5,345	3.00
More than 101,000	19,531	10.00
Total	200,293	100.00

The risk concentration has not materially changed from the prior year.

	2021	
	$'000	**%**
Annuities payable per annum per life		
0-20,000	103,959	52.00
21,000-40,000	39,877	20.00
41,000-80,000	30,590	15.00
81,000-100,000	5,145	3.00
More than 101,000	19,531	10.00
Total	199,102	100.00

For contracts where death is the insured risk (life insurance), the most significant factors that could increase the overall frequency of claims are epidemics or pandemics (such as corona virus) or wide spread changes in lifestyle, such as eating, smoking and exercise habits, resulting in claims occurring earlier than expected or in greater numbers than expected. For contracts where survival is the insured risk (annuity), the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

5. Insurance and Financial Risk Management (continued)

5.2 Insurance risk (continued)

5.2.2 Long-term insurance contracts and long-term annuities

(a) Frequency and severity of death claims

Insurance risk for contracts is also affected by the contract holders' right to pay reduced or no future premiums, to terminate the contract completely, or to exercise a guaranteed annuity option. As a result, the amount of insurance risk is also subject to contract holder behaviour. On the assumption that contract holders will make decisions rationally, overall insurance risk can be assumed to be aggravated by such behaviour. For example, it is likely that contract holders whose health has deteriorated significantly will be less inclined to terminate contracts insuring death benefits than those contract holders remaining in good health. This results in an increasing trend of expected mortality, as the portfolio of insurance contracts reduces due to voluntary terminations. The Company has factored the impact of contract holders behaviour into the assumptions and provisions used to measure these liabilities.

Insurance risk for contracts disclosed in the note is also affected by interest rate risk. This is especially significant for some types of long-term insurance products. If new market rates were to rise appreciably, policyholders would want to cash in their policies (where cash values are provided) and move their money elsewhere where they can benefit from higher market rates. While at the same time that the insurer needs cash to pay the policyholder, the assets may have depreciated in market value.

(b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behaviour.

The Company uses appropriate base tables of standard mortality according to the type of contract being written and the territory in which the insured person resides. An investigation into the actual experience of the Company over the last five years is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table. Where this is not the case, the best estimate of future mortality is based on standard industry tables adjusted for the Company's overall experience.

For contracts that insure survival, an adjustment is made for future mortality improvements based on trends identified in the data and in the continuous mortality investigations performed by independent actuarial bodies. The impact of any historical evidence of selective termination behaviour will be reflected in this experience. The Company maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates. An allowance is then made for any trends in the data to arrive at a best estimate of future termination rates.

5. Insurance and Financial Risk Management (continued)

5.2 Insurance risk (continued)

5.2.2 Long-term insurance contracts and long term annuities (continued)

(c) Guaranteed annuity options

The amount of insurance risk under contracts with guaranteed annuity options is also dependent on the number of contract holders that will exercise their option ('option take-up rate'). This will depend significantly on the investment conditions that apply when the options can be exercised. The lower the current market interest rates in relation to the rates implicit in the guaranteed annuity rates, the more likely it is that contract holders will exercise their options. Continuing improvements in longevity reflected in current annuity rates will increase the likelihood of contract holders exercising their options as well as increasing the level of insurance risk borne by the Company under the annuities issued. The Company does not have sufficient historical data on which to base its estimate of the number of contract holders who will exercise their options.

Conversely, if current market interest rates were to rise in relation to the rates implicit in the guaranteed annuity rates, the more likely it is that policyholders would want to cash in their policies and move their money elsewhere where they can benefit from higher interest rates unless their contracts provide some link to the higher interest rates.

(d) Reinsurance

To further mitigate underwriting risk, the Company purchases reinsurance to share part of the insurance risks accepted by the Company in writing premiums. This reinsurance, however, does not relieve the Company of its primary obligation to policyholders. If any reinsurers are unable to meet their obligation under the related agreements, the Company remains liable to its policyholders for the unrecoverable amounts. The Company has various yearly renewable term and coinsurance reinsurance agreements with reinsurers with different retention amounts for whole life, term, critical illness and universal life products.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. The Company reinsures approximately less than 10% of its group and ordinary life portfolios.

5. Insurance and Financial Risk Management (continued)

5.2 Insurance risk (continued)

5.2.3 Short-duration life insurance contracts

(i) Frequency and severity of claims

These contracts are mainly issued to employers to insure death benefit associated with their pension fund and other employee benefit plans. The risk is affected by the nature of the industry in which the employer operates, in addition to the factors in Note 5.2.1.(b).

The risk of death and disability will vary by industry. Undue concentration of risk by industry will therefore increase the risk of a change in the underlying average mortality or morbidity of employees in a given industry, with significant effects on the overall insurance risk.

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

Other than for the testing of the adequacy of the liability representing the unexpired risk at the reporting date, there is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration. However, for incurred disability income claims, it is necessary to estimate the rates of recovery from disability for future years. Standard recovery tables produced by reinsurers are used as well as the actual experience of the Company. The influence of economic circumstances on the actual recovery rate for individual contracts is the key source of uncertainty for these estimates.

5.3 Financial risk

The Company is exposed to a range of financial risks through its financial assets, financial liabilities (mutual fund obligation, accounts payable, investment contracts and debt securities issued), reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long term, its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are credit risk, liquidity risk, interest rate risk, equity price risk and foreign currency risk.

5.3.1 Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their contractual obligations, and arises principally from the Company's loans, mortgages, investments and related party balances. This is one of the materialised risks with the Company unable to secure timely repayment of several of its advances.

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.1 Credit risk (continued)

Management of credit risk

The Board Finance Investment and Resolution Committees and the Board Operations, Assets and Recoveries Committee which report to the Board of Directors have oversight of credit risk. The Finance and Investment teams reporting to the Board Finance Investment and Resolution Committees and the Board Operations, Assets and Recoveries Committee, are responsible for managing the Company's credit risk, including the following:

- Formulating credit policies in consultation with the relevant departments, covering credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Limiting concentration of exposure to counterparties by issuer, credit rating band and market liquidity within regulatory and statutory requirements.
- Developing and maintaining the Company's risk grading categorise exposures according to the degree of risk of default. The responsibility for setting risk grades lies with the final approving committee as appropriate. Risk grades are subject to regular reviews by the Board Audit and Risk Committee.
- Developing and maintaining the Company's processes for measuring ECL. This includes processes for:
  - initial approval, regular validation and back-testing of the models used;
  - determining and monitoring significant increase in credit risk; and
  - incorporation of forward looking information.
- Regular reporting or reporting regularly on the credit quality of portfolios to the Board Audit and Risk Committee which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.
- Providing advice, guidance and making specialist skills available to business units to promote best practice in the management of credit risk.

5. Insurance and Financial Risk Management (continued

5.3 Financial risk (continued)

5.3.1 Credit risk (continued)

The Company applies the IFRS 9 general approach to measuring expected credit losses on financial assets. Under the general approach, the Company considers the probability of default on initial recognition of the asset and whether there has been a significant increase in credit risk throughout each reporting period. When determining whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without under cost or effort. The Company primarily identifies whether significant increase in credit risk has occurred for an exposure by comparing external credit ratings from initial recognition to the reporting date.

Definition of default

The Company considers a financial asset to be in default when the financial asset is classified as non-performing as at reporting date. Non-performing is defined as all investments that have missed payments as at reporting date.

A summary of the assumptions underpinning the Company's expected credit loss model under the general approach is as follows

Category	Definition	Basis for recognition of expected credit loss provision
Stage 1 (Performing)	The counterparty has low risk of default and a strong capacity to meet contractual cash flows.	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected credit losses are measured at its expected lifetime.
Stage 2 (Underperforming)	Financial assets for which there is a significant increase in credit risk since origination but no objective evidence of impairment.	Lifetime expected losses.
Stage 3 (Non-performing)	The financial asset is in default.	Lifetime expected losses.

At each reporting date, the Company assesses whether there has been a significant increase in credit risk exposure for all financial assets.

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.1 Credit risk (continued)

Debt securities

The Company limits its exposure to credit risk by investing only in liquid debt securities and only with counterparties that have a credit rating of at least BBB- from Standard and Poor's and/or Ba1, Ba2, Ba3 from Moody's.

The Company monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group supplements this by reviewing changes in bond yields and. where available, credit default swap (CDS) prices together with available press and regulatory information about debtors.

12-month and lifetime probabilities of default are based on historical data supplied by Standard and Poor's for each credit rating and are recalibrated based on current bond yields and CDS prices. Loss given default (LGD) parameters generally reflect an assumed recovery rate of 40% except when a security is credit-impaired, in which case the estimate of loss is based on the instrument's current market price and original effective interest rate.

The exposure to credit risk for debt securities at FVOCI and FVTPL at the reporting date are all concentrated in Trinidad and Tobago.

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.1 Credit risk (continued)

Debt securities (continued)

The following table presents an analysis of the credit quality of debt securities at FVOCI and FVTPL. It indicates whether assets measured at FVOCI were subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired.

	2022					2021				
	FVTPL	FVOCI	Amortised Cost			FVTPL	FVOCI	Amortised Cost		
Credit rating	12-Month $'000	12-Month $'000	12-Month $'000	Lifetime ECL-Not Credit Impaired $'000	Lifetime ECL-Credit Impaired $'000	12-Month $'000	12-Month $'000	12-Month $'000	Lifetime ECL-Not Credit Impaired $'000	Lifetime ECL Credit Impaired $'000
BBB-to AAA	982,827	7,110,962	-	-	-	925,047	7,184,440	-	-	-
BB- to BB+	-	-	-	-		-	-	-	-	-
B- to B+	-	-	-	-	-	-	-	-	-	-
C to CCC+	-	-	-	-	-	-	-	-	-	-
D	-	-	-	-	822,206	-	-	-	-	822,206
Gross carrying amounts	982,827	7,110,962	-	-	822,206	925,047	7,184,440	-	-	822,206
Loss allowance	-	(50,741)	-	-	(822,206)	-	(44,204)	-	-	(822,206)
Carrying amounts	982,827	7,060,221	-	-	-	925,047	7,140,236	-	-	-

An impairment allowance of $822,000 (2021: $822 000) in respect of debt securities at amortised cost with a credit rating of D was recognised. These securities are the $473,000 owed by CLF and $345,000 owed by CIB. Both parties have been placed into liquidation because of significant financial difficulties. The Company has no collateral in respect of these investments.

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.1 Credit risk (continued)

Debt securities (continued)

The movement in the allowance for impairment for debt securities at amortised cost during the year was as follows.

	2022			
	12-Month ECL	Lifetime ECL-Not Credit Impaired	Lifetime ECL Credit Impaired	Total
	$'000	$'000	$'000	$'000
Balance at January 1	-	-	822,206	822,206
Net remeasurement of loss allowance	-	-	-	-
Transfer to lifetime ECL - not credit-impaired	-	-	-	-
Transfer to lifetime ECL - credit-impaired	-	-	-	-
Financial assets repaid	-	-	-	-
New financial assets acquired	-	-	-	-
Balance at 31 December	-	-	822,206	822,206

	2021			
	12-Month ECL	Lifetime ECL-Not Credit Impaired	Lifetime ECL Credit Impaired	Total
	$'000	$'000	$'000	$'000
Balance at January 1	-	-	822,206	822,206
Net remeasurement of loss allowance	-	-	-	-
Transfer to lifetime ECL - not credit-impaired	-	-	-	-
Transfer to lifetime ECL - credit-impaired	-	-	-	-
Financial assets repaid	-	-	-	-
New financial assets acquired	-	-	-	-
Balance at 31 December	-	-	822,206	822,206

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.1 Credit risk (continued)

Debt securities (continued)

The movement in the allowance for impairment in respect of debt securities at FVOCI during the year was as follows.

	2022 12-month ECL $'000	2021 12-month ECL $'000
Balance at January 1	44,204	4,106
Net remeasurement of loss allowance	5,972	39,241
Financial assets derecognised	(22)	(8)
New financial assets acquired	587	865
Balance at December 31	50,741	44,204

Cash and balances with banks and short-term deposits

The Company held cash and cash equivalents of $471,878 (2021: $313,707) with banks and financial institutions counterparties which are reputable in the local market. Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the financial institutions they are held with.

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.1 Credit risk (continued)

Concentrations of credit risk

The Company does monitor concentration of credit risk. An analysis of concentrations of credit risk from investments in associates, investment in subsidiaries, investment securities, assets held for sale and loans and receivables is shown below.

	Investment securities		Assets held for sale (Note 14)		Loans and receivables	
	2022	2021	2022	2021	2022	2021
	$'000	$'000	$'000	$'000	$'000	$'000
Concentration by sector:						
Corporate	370,926	386,075	-	-	2,925	1,709
Government	8,250,377	1,381,150	-	6,933,815	117,474	116,735
Individuals	-	-	58,000	248,935	237,796	35,928
	8,621,303	1,767,225	58,000	7,182,750	358,195	154,372

5.3.2 Liquidity risk

Liquidity Risk is the risk that the entity will encounter difficulty in meeting obligations associated with its financial and insurance liabilities. The Company has managed its liquidity with cash generated from its operations.

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.2 Liquidity risk (continued)

Exposure to liquidity risk

The following tables provide information about the maturity profile for the Company's financial liabilities, financial assets and insurance liabilities and includes future interest payment.

Maturity analysis for non-derivative cash flows

As at December 31, 2022

Contractual undiscounted cash flows

	Within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	Total $'000	Carrying Values $'000
Financial liabilities					
Investment contracts	101,339	-	1,243,128	1,344,467	1,344,467
Mutual funds	7,012	-	-	7,012	7,012
Loans and borrowings	1,081,079	-	-	1,081,079	1,032,184
Due to related parties	128,893	-	-	128,893	128,893
Accounts payable	348,421	-	-	348,421	348,421
Total financial liabilities	1,666,744	-	1,243,128	2,909,872	2,860,977
Financial assets					
Investment in associates	-	-	930,505	930,505	930,505
Investment in subsidiaries	-	2,283,408	-	2,283,408	2,283,408
Investment securities	-	3,602,187	8,463,437	12,065,624	8,621,303
Loans and other receivables	-	-	358,195	358,195	358,195
Assets held for sale	58,000	-	-	58,000	58,000
Cash and cash equivalents	471,878	-	-	471,878	471,878
Total financial assets	529,878	5,885,595	9,752,137	16,167,610	12,723,289

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.2 Liquidity risk (continued)

Maturity analysis for non-derivative cash flows (continued)

As at December 31, 2021

Contractual undiscounted cash flows

	Within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	Total $'000	Carrying Values $'000
Financial liabilities					
Investment contracts	146,939	-	-	146,939	146,939
Mutual funds	42,661	-	-	42,661	42,661
Liabilities directly associated, with assets held for sale	1,224,926	-	-	1,224,926	1,224,926
Loans and borrowings	1,273,072	-	-	1,273,072	1,215,502
Due to related parties	129,389	-	-	129,389	129,389
Accounts payable	214,891	-	-	214,891	214,891
Total financial liabilities	3,031,878	-	-	3,031,878	2,974,308
Financial assets					
Investment in associates	-	-	742,003	742,003	742,003
Investment in subsidiaries	-	2,607,275	-	2,607,275	2,607,275
Investment securities	121,361	1,406,969	1,000,915	2,529,245	1,767,225
Loans and other receivables	-	1,636	152,736	154,372	154,372
Assets held for sale	7,453,717	-	-	7,453,717	7,137,000
Cash and cash equivalents	313,707	-	-	313,707	313,707
Total financial assets	7,888,785	4,015,880	1,895,654	13,800,319	12,721,582

As at December 31, 2022

Expected undiscounted cash flows

	Within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	Total $'000	Carrying Values $'000
Ordinary life	40,286	110,818	704,937	856,041	641,666
FPA	110,618	594,819	4,111,717	4,817,154	2,937,318
Annuities	205,372	764,524	2,684,535	3,654,431	2,542,038
Long-term insurance	356,276	1,470,161	7,501,189	9,327,626	6,121,022
Short-term insurance	20,528	-	-	20,528	20,528
Claims admitted or intimated but not yet paid	228,528	-	-	228,528	228,528
Total	605,332	1,470,161	7,501,189	9,576,682	6,370,078

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.2 Liquidity risk (continued)

Maturity analysis for non-derivative cash flows (continued)

As at December 31, 2021

Expected undiscounted cash flows

	Within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	Total $'000	Carrying Values $'000
Ordinary life	912,968	-	-	912,968	662,313
FPA	4,898,040	-	-	4,898,040	2,983,231
Annuities	3,722,968	-	-	3,722,968	2,565,927
Long-term insurance	9,533,976	-	-	9,533,976	6,211,471
Short-term insurance	20,902	-	-	20,902	20,902
Claims admitted or intimated but not yet paid	221,866	-	-	221,866	221,866
Liabilities directly associated with assets held for sale	(6,454,239)	-	-	(6,454,239)	(6,454,239)
Total	3,322,505	-	-	3,322,505	-

5.3.3 Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, equity prices, property prices, and foreign currency exchange rates. Market risk arises due to fluctuations in both the value of liabilities and the value of investments held.

Management of market risk

The management of market risk was undertaken mainly at the management committee level. The financial impact from changes in market risk (such as interest rates, equity prices and property values) was reviewed at the reporting date. The sensitivity of capital and Company earnings to changes in economic conditions was analysed through sensitivities to investment returns and asset values at the reporting date.

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

- *Equity price risk*

  The Company is subject to equity price risk due to daily changes in market values of its equity securities portfolio. Unquoted equities are also valued on an annual basis using methodologies outlined in Note 3(e).

  The Investments Department actively monitors equity assets owned directly by the Company and concentrations of specific equity holdings.

  Sensitivity to changes in equity prices is given in section 5.3.3.1 below.

- *Interest rate risk*

  Interest rate risk arises primarily from the Company's investment in long-term debt and fixed income securities, which are exposed to fluctuations in interest rates. Exposure to interest rate risk is monitored through the Actuarial and Finance Departments and managed through the use of asset and liability matching using measures such as duration.

  Insurance and investment contracts with guaranteed and fixed terms have benefit payments that are fixed and guaranteed at the inception of the contract. The financial component of these benefits is usually a guaranteed fixed interest rate and hence the Company's primary financial risk on these contracts is that interest income and capital redemptions from the financial assets backing the liabilities are insufficient to fund the guaranteed benefits payable.

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.2 Market risk (continued)

Management of market risk (continued)

Interest rate risk

The table below summarises the Company's financial assets and liabilities to show the interest-rate gap.

	Up to 1 Year	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000
As at December 31, 2022					
Financial Assets					
Investment securities	-	1,300,367	6,950,009	370,927	8,621,303
Loans and other receivables	-	-	-	358,195	358,195
Assets held for sale)	58,000	-	-	-	58,000
Cash and cash equivalents	471,878	-	-	-	471,878
Total financial assets	529,878	1,300,367	6,950,009	729,122	9,509,376
Financial Liabilities					
Insurance contracts	110,939	492,718	2,751,196	3,015,225	6,370,078
Investment contracts	101,339	-	476,006	767,122	1,344,467
Loans and borrowings	1,032,184	-	-	-	1,032,184
Due to related parties	-	-	-	128,893	128,893
Mutual fund obligation	7,012	-	-	-	7,012
Accounts payable	-	-	-	348,421	348,421
Total financial liabilities	1,251,474	492,718	3,227,202	4,259,661	9,231,055
Periodic GAP	**(721,596)**	**807,649**	**3,722,807**	**(3,530,539)**	**278,321**
Cumulative GAP	**(721,596)**	**86,053**	**3,808,860**	**278,321**	**-**

Sensitivity to changes in interest rates is given in section 5.3.3.1.

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.3 Market risk (continued)

Management of market risk (continued)

Interest rate risk (continued)

	Up to 1 Year $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
As at December 31, 2021					
Financial Assets					
Investment securities	42,938	1,022,758	315,456	386,073	1,767,225
Loans and other receivables	-	-	-	154,372	154,372
Assets held for sale (Note 14)	7,137,000	-	-	-	7,137,000
Cash and cash equivalents	313,707	-	-	-	313,707
Total financial assets	7,493,645	1,022,758	315,456	540,445	9,372,304
Financial Liabilities					
Investment contracts	146,939	-	-	-	146,939
Liabilities directly associated with assets held for sale	7,679,165	-	-	-	7,679,165
Loans and borrowings	1,215,502	-	-	-	1,215,502
Due to related parties	-	-	-	129,389	129,389
Mutual fund obligation	42,661	-	-	-	42,661
Accounts payable	-	-	-	214,891	214,891
Total financial liabilities	9,084,267	-	-	344,280	9,428,547
Periodic GAP	**(1,590,622)**	**1,022,758**	**315,456**	**196,165**	**(56,243)**
Cumulative GAP	**(1,590,622)**	**(567,864)**	**(252,408)**	**(56,243)**	**-**

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.3 Market risk (continued)

Management of market risk (continued)

- *Currency risk*

The Company has assets and liabilities denominated in foreign currencies and as a result are exposed to foreign currency exchange risk arising from fluctuations in exchange rates. The Company does not hedge its foreign currency revenues as these are substantially retained locally to support the Company's business and meet local regulatory and market requirements.

The Company's sensitivity to this risk is discussed in Note 5.3.3.1 below.

The currencies of denomination of assets and liabilities and the related exposure to foreign exchange risk are shown below.

	TT $'000	US $'000	Other $'000	Total $'000
As at December 31, 2022				
Assets				
Property and equipment	99,908	-	-	99,908
Investment properties	179,740	-	-	179,740
Investments in associates	24,648	-	905,857	930,505
Investments in subsidiaries	25,216	2,258,192	-	2,283,408
Investment securities	7,647,512	971,978	1,813	8,621,303
Deferred tax assets	5,466	-	-	5,466
Tax recoverable	86,595	-	-	86,595
Loans and other receivables	319,744	38,317	134	358,195
Assets held for sale	58,000	-	-	58,000
Cash and cash equivalents	213,371	257,257	1,250	471,878
Total assets	8,660,200	3,525,744	909,054	13,094,998
Liabilities				
Insurance contracts	6,370,078	-	-	6,370,078
Investment contracts	1,344,467	-	-	1,344,467
Loans and borrowings	1,032,184	-	-	1,032,184
Due to related parties	94,148	34,745	-	128,893
Mutual fund obligation	7,012	-	-	7,012
Accounts payable	348,421	-	-	348,421
Taxation	61,161	-	-	61,161
Total liabilities	9,257,471	34,745	-	9,292,216
Net position	(597,271)	3,490,999	909,054	3,802,782

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.3 Market risk (continued)

- *Currency risk* (continued)

	TT $'000	US $'000	Other $'000	Total $'000
As at December 31, 2021				
Assets				
Property and equipment	101,992	-	-	101,992
Investment properties	228,400	-	-	228,400
Investments in associates	19,450	-	722,553	742,003
Investments in subsidiaries	24,102	2,583,173	-	2,607,275
Investment securities	1,693,705	71,336	2,184	1,767,225
Deferred tax assets	16,462	-	-	16,462
Tax recoverable	86,595	-	-	86,595
Loans and other receivables	121,900	32,338	134	154,372
Assets held for sale (Note 14)	7,182,750	-	-	7,182,750
Cash and cash equivalents	118,612	193,922	1,173	313,707
Total assets	9,593,968	2,880,769	726,044	13,200,781
Liabilities				
Investment contracts	146,939	-	-	146,939
Liabilities directly associated with assets held for sale (Note 14)	7,679,165	-	-	7,679,165
Loans and borrowings	1,215,502	-	-	1,215,502
Due to related parties	94,644	34,745	-	129,389
Mutual fund obligation	42,661	-	-	42,661
Accounts payable	214,891	-	-	214,891
Taxation	61,702	-	-	61,702
Total liabilities	9,455,504	34,745	-	9,490,249
Net position	138,464	2,846,024	726,044	3,710,532

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.3 Market risk (continued)

5.3.3.1 Market risk sensitivity analysis

The tables below demonstrate the effect of a change in a key assumption whilst all other assumptions remain unchanged. In reality there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration the fact that the Company's assets and liabilities are actively managed. Additionally, the financial position of the Company may vary at the time that any actual market movement occurs.

Other limitations in the sensitivity analyses below include the use of hypothetical market movements to demonstrate potential risk that only represent the Company's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Sensitivity factor	Description of sensitivity factor applied
Exchange rates	A 1% change in the TT$/US$ foreign exchange rate would have the following impact on net assets and net income for the period. Any changes will have an impact on the net profit of the Company as changes are recognised in profit or loss.

	1% increase in TT/US rate TT$'000 $	1% decrease in TT/US rate TT$'000 $
December 31, 2022		
Impact on profit or loss	2,608	(2,608)
Impact on equity	32,302	(32,302)

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.3 Market risk (continued)

5.3.3.1 Market risk sensitivity analysis (continued)

	1% increase in TT/US rate TT$'000 $	1% decrease in TT/US rate TT$'000 $
December 31, 2021		
Impact on profit or loss	1,915	(1,915)
Impact on equity	26,545	(26,545)

Sensitivity factor	Description of sensitivity factor applied	Assumptions
Interest rate and investment return	The impact of change in market interest rates by + or -1% (e.g. if a current interest rate is 5%, the impact of a immediate change to 4% and 6%).	Effective interest rate for financial assets used was 4% whilst the rate for financial liability was 10%.
Equity	The impact of a change in equity market values by + or – 10%.	All equity movements in the financial assets at fair value through profit or loss affect income whereas investments at FVOCI revaluation affects OCI. All equity market movements affect only quoted equity stock.

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.3 Market risk (continued)

5.3.3.1 Market risk sensitivity analysis (continued)

Impact on	Interest Rates Rise 100 bps $'000	Interest Rates Fall 100 bps $'000	Equity Prices Rise 10% $'000	Equity Prices Fall 10% $'000
Sensitivities as at December 31, 2022				
Profit or loss	38,089	(38,089)	77,240	(77,240)
Equity	(38,089)	38,089	321,391	(321,391)
Sensitivities as at December 31, 2021				
Profit or loss	(1,640)	1,640	78,754	(78,754)
Equity	1,640	(1,640)	334,928	(334,928)

5.4 Operational risk

Operational risk is the risk of loss as a result of inadequately controlled internal processes or systems, human error, or from external events.

This definition is intended to include all risks to which the Company is exposed, other than the financial and insurance risk described above. Hence, operational risks include, for example, information technology, information security, human resources, project management, outsourcing, tax, legal and fraud and compliance risks.

In accordance with the Company's policies, department managers have primary responsibility for the effective identification, management and monitoring. Each operational risk is assessed by considering the potential impact and the probability of the event occurring. Impact assessments are made against strategic, operational and reputation criteria. Day to day operational risks are managed by department managers whereas for more significant transactions Board approval is sought.

5.5 Capital management

The current capital structure of the Company consists of debt securities issued as disclosed in Note 21, amounts due to related parties disclosed in Note 20, policyholders' reserves as disclosed in Note 17; investment contracts as disclosed in Note 18; and amounts attributable to equity holders of the Company; comprising issued capital, reserves and retained earnings as disclosed in Notes 15 and 16 respectively.

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.5 Capital management (continued)

The Company is governed by the Insurance (Capital Adequacy) Regulations, 2020 which came into operation on January 1, 2021 and requires an insurer to maintain a minimum net tier 1 ratio of 105%, and a minimum regulatory capital ratio of 150%. For the year ending December 31, 2022, these ratios were 191% (2021: 150%) (net tier 1 ratio) and 313% (2021: 288%) (regulatory capital ratio).

6. Property and Equipment

	Land and Buildings	Right of Use Assets	Furniture, Fixtures and Equipment	Motor Vehicles	Capital Work in Progress	Software	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Year ended December 31, 2022							
Opening net book value	75,017	3,878	20,842	386	1,869	-	101,992
Additions	-	-	2,022	-	-	-	2,022
Adjustment	-	287	-	-	-	-	287
Revaluation	583	-	-	-	-	-	583
Depreciation charge	(745)	(2,680)	(1,474)	(77)	-	-	(4,976)
Closing net book value	74,855	1,485	21,390	309	1,869	-	99,908
At December 31, 2022							
Cost or valuation	80,491	7,634	130,198	1,802	1,869	61,859	283,853
Accumulated depreciation	(5,636)	(6,149)	(108,808)	(1,493)	-	(61,859)	(183,945)
Closing net book value	74,855	1,485	21,390	309	1,869	-	99,908

(Expressed in thousands of Trinidad and Tobago dollars)

6. Property and Equipment (continued)

	Land and Buildings	Right of Use Assets	Furniture, Fixtures and Equipment	Motor Vehicles	Capital Work in Progress	Software	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Year ended December 31, 2021							
Opening net book value	35,483	-	22,302	490	1,869	-	60,144
Additions	-	7,348	256	-	-	-	7,604
Transfers from investment property	40,600	-	-	-	-	-	40,600
Revaluation	(631)	-	-	-	-	-	(631)
Disposal	-	-	-	(143)	-	-	(143)
Depreciation on disposal	-	-	-	137	-	-	137
Depreciation charge	(435)	(3,470)	(1,716)	(98)	-	-	(5,719)
Closing net book value	75,017	3,878	20,842	386	1,869	-	101,992
At December 31, 2021							
Cost or valuation	79,907	7,348	128,176	1,802	1,869	61,859	280,961
Accumulated depreciation	(4,890)	(3,470)	(107,334)	(1,416)	-	(61,859)	(178,969)
Closing net book value	75,017	3,878	20,842	386	1,869	-	101,992

During the year, land and buildings were valued using the income and market approach by G.A. Farrell & Associates Limited and Linden Scott E. Associates. The gain of $583 (2021: loss: $631) arising from these revaluations was debited to the valuation reserve account. These valuations are dated October 2022.

Property and equipment include right-of-use assets of $1,485 (2021: $3,878) related to leased properties that do not meet the definition of investment property (see Note 33).

If land and buildings were stated on a historical cost basis, the amounts would be as follows:

	2022	2021
	$'000	$'000
Cost	77,897	77,897
Accumulated depreciation	(4,998)	(4,246)
Net book value	72,899	73,651

6. Property and Equipment (continued)

Measurement of fair value

The fair value of land and buildings was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and segments of the properties being valued. The independent valuers provide the fair value of the Company's land and buildings portfolio on a biennial or annual basis.

The fair value measurement for the properties has been categorised as Levels 2 and 3 fair value based on the inputs to the valuation technique used. (Refer to Note 4.3).

Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring the fair value of properties as well as the significant unobservable inputs used.

Valuation Technique	**Significant Unobservable Inputs**	**Inter-relationship between key unobservable inputs and fair value measurement.**
The Income Approach by direct capitalisation is based on the principle that the value of a property is indicated by the net return to the property, or what is also known as the present worth of future benefits. The future benefits of income-producing properties is net income before debt service and depreciation, derived by a projection of income and expense, along with any expected reversionary proceeds from a sale. In direct capitalization, net operating income is divided by an overall rate to indicate a value.	In most instances, vacancy levels (voids) were estimated at 10% - 15% of the gross potential income. In instances where we estimated building expenses, 15% - 25% of gross income was used. Capitalization rates (net all-risks yield) was estimated between 7%-9%.	The estimated fair value would increase (decrease) if: • The allowance for voids was decreased (increased). • The allowance for building expenses (outgoings) was decreased (increased). • The direct capitalization rate was lower (higher). • The rate per square feet increase (decrease).
The Market Approach is a valuation method used to find the value of a property by comparing it to other similar properties that have sold recently.	In most instances, property values were estimated at 27% below to 85% above subject rate per square feet of comparable properties sold.	The estimated fair value would increase (decrease) if the rate per square feet rate per annum would increase (decrease).
The Cost Approach is a valuation method that provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction.	Indirect construction estimated at 25%. Depreciation estimated at 40%.	Decrease or increase if the allowance is lower (higher). Decrease or increase if the depreciation is lower (higher).

(Expressed in thousands of Trinidad and Tobago dollars)

7. Investment Properties

	2022 $'000	2021 $'000
At beginning of year	274,150	390,700
Transfer to property, plant and equipment	-	(40,600)
Loss on revaluation of investment properties	(660)	(7,800)
Disposals	(35,750)	(68,150)
	237,740	274,150
Assets held for sale (Note 14)	(58,000)	(45,750)
At end of year	179,740	228,400

Investment properties comprise a number of commercial properties that are leased to third parties. Each of the leases are for a period of 2 years or are on a month-to-month basis. CLICO has classified these leases as operating leases because they do not transfer substantially all the risk and rewards associated with the ownership of the assets. Further information about these leases are include in Note 33 (b).

Rental income arising from investment properties owned by the Company amounted to $11,933 (2021: $13,000). Maintenance expense, included in the expenses for administration, amounted to $6,500 (2021: $6,600).

Measurement of fair value

The fair value of investment properties was determined by external, independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's investment properties portfolio on a biennial or annual basis.

The fair value measurement for investment properties has been categorized as Level 2 and Level 3 based on the inputs to the valuation techniques used (refer to Note 4.3).

7. Investment Properties (continued)

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment properties as well as the significant unobservable inputs used.

Valuation Technique	Significant Unobservable Inputs	Inter-relationship between key unobservable inputs and fair value measurement.
The Income Approach by direct capitalisation is based on the principle that the value of a property is indicated by the net return to the property, or what is also known as the present worth of future benefits. The future benefits of income-producing properties is net income before debt service and depreciation, derived by a projection of income and expense, along with any expected reversionary proceeds from a sale. In direct capitalization, net operating income is divided by an overall rate to indicate a value.	In most instances, vacancy levels (voids) were estimated at 10% - 15% of the gross potential income. In instances where we estimated building expenses, 15% - 25% of gross income was used. Capitalization rates (net all-risks yield) was estimated between 7%-9%.	The estimated fair value would increase (decrease) if: • The allowance for voids was decreased (increased). • The allowance for building expenses (outgoings) was decreased (increased). • The direct capitalization rate was lower (higher). • The rate per square feet increase (decrease).
The Market Approach is a valuation method used to find the value of a property by comparing it to other similar properties that have sold recently.	In most instances, property values were estimated at 27% below to 85% above subject rate per square feet of comparable properties sold.	The estimated fair value would increase (decrease) if the rate per square feet. Or rate per annum would increase (decrease).
The Cost Approach is a valuation method that provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction.	Indirect construction estimated at 25%. Depreciation estimated at 40%.	Decrease or increase if the allowance is lower (higher). Decrease or increase if the depreciation rate is lower (higher).

(Expressed in thousands of Trinidad and Tobago dollars)

8. Investment in Associates

	% Shareholding 2022	% Shareholding 2021	2022 $'000	2021 $'000
Fair value through other comprehensive income				
Quoted at fair value				
L.J. Williams Limited 13,689,540 shares of no par value	21	21	24,648	19,450
Total quoted at fair value			24,648	19,450
Unquoted at fair value				
Plantations Holdings Limited (in receivership) 2,888,789 shares of BD$1 each	34	34	1	1
CL World Brands Limited 42,830,350 shares of no par value	42	42	905,853	722,549
IBIS Caroni (Cayman) Limited 3,675 shares of no par value	49	49	1	1
IBIS Cedar (Cayman) Limited 5,726 shares of no par value	49	49	1	1
IBIS Kapok (Cayman) Limited 612 shares of no par value	49	49	1	1
Total unquoted at fair value			905,857	722,553
Total investments in Associates			930,505	742,003

The following table summarises the financial information of CL World Brands Limited (CLWB) and L.J. Williams Limited (LJW). The table also reconciles the summarised financial information to the carrying amount of the Company's interest in both companies.

The fair value of CLWB is derived from the level 1 observable inputs (quoted prices) of its investments in an entity that is traded in an active market. The quoted price of these asset in an active market provides the most reliable fair value measurement.

The fair value of L.J. Williams Limited is derived from level 1 observable inputs (quoted prices) which are traded in an active market. The company is a public limited liability company which listed on the Trinidad and Tobago Stock Exchange.

(Expressed in thousands of Trinidad and Tobago dollars)

8. Investment in Associates (continued)

	CL World Brands Limited		L.J. Willliams Limited	
	Unaudited June 30 2022	**Audited June 30 2021**	**Audited March 31 2022**	**Audited March 31 2021**
	$'000	**$'000**	**$'000**	**$'000**
Total assets	520,903	598,946	167,587	167,101
Total liabilities	(8,813)	(8,465)	(63,568)	(68,849)
Net assets	512,090	590,481	104,019	98,252
Company's share of net assets	215,078	248,002	21,843	20,632
Revenue	33,620	16,911	152,795	151,308
Profit and total comprehensive income (100%)	32,305	5,911	7,719	15,370
Company's share of profit and total comprehensive income	13,568	2,482	1,621	3,228
Dividends received during the year	-	-	843	738

The financial statements of CLWB are prepared in accordance with FRS102 *The Financial Reporting* applicable in the UK and the Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

The financial statements of L.J. Williams Limited have been prepared in accordance with International Financial Reporting Standards.

9. Investment in Subsidiaries

	% Shareholding 2022	% Shareholding 2021	2022	2021
			$'000	**$'000**
Fair value through other comprehensive income				
CL Infinity (BVI) Limited 10 shares of no par value	100	100	1	1
Methanol Holdings International Limited 5,653,700 shares of no par value	56.53	56.53	2,258,191	2,583,172
Premium Security Services Limited 1 share of no par value	100	100	25,216	24,102
Total unquoted at fair value			2,283,408	2,607,275

(Expressed in thousands of Trinidad and Tobago dollars)

10. Investment Securities

	2022 $'000	2021 $'000
Unquoted equities	1,954	1,954
Quoted equities	368,973	384,121
Government securities bonds	8,250,376	1,381,150
	8,621,303	1,767,225

The analysis below discloses the gross amounts before transfer to assets held for sale (for 2021 only):

	2022 $'000	2021 $'000
Fair value through other comprehensive income		
Unquoted equity securities	1,954	1,954
Quoted equity securities	368,973	384,121
Government securities - bonds	7,352,664	7,389,918
	7,723,591	7,775,993
Managed Funds' assets at fair value through profit or loss		
Government and corporate securities (Note 18)	897,712	925,047
	8,621,303	8,701,040
Assets held for sale (Note 14)	-	(6,933,815)
Total	8,621,303	1,767,225

Not included above are debt securities comprising bonds issued by CL Financial Limited (CLF), the Parent Company, of $476,000 (2021: $476,000) and a bond issued by CLICO Investment Bank Limited, a fellow subsidiary, of $346,000 (2021: $346,000). These amounts are deemed to have a fair value of NIL.

The table below illustrates movements in investment securities during the year:

	2022 $'000	2021 $'000
At January 1	8,701,040	9,014,922
Purchases	104,328	202,269
Disposals	(103,465)	(498,749)
Fair value losses	(80,600)	(17,402)
At December 31	8,621,303	8,701,040

(Expressed in thousands of Trinidad and Tobago dollars)

11. Due from Related Parties

	2022 $'000	2021 $'000
Parent company	3,818,039	3,816,670
Subsidiary companies	23,515	23,515
Fellow subsidiary and associates	728,343	728,343
	4,569,897	4,568,528
Provision for impairment	(4,569,897)	(4,568,528)
	-	-

These related companies are in liquidation and CLICO is in the process of trying to recover these funds and no right of offset against due to related parties is possible.

12. Loans and Other Receivables

	2022 $'000	2021 $'000
Accrued investment income	118,022	117,077
Sundry debtors and prepayments	239,930	36,701
Promissory notes	243	243
Mortgages	-	351
	358,195	154,372

	2022 $'000	2021 $'000
The analysis below discloses the gross amounts before transfer to assets held for sale:		
Accrued investment income	118,022	117,077
Policy loans and other debtors	43,562	43,899
Promissory notes	302,477	302,477
Mortgages	62,326	62,310
Policy loans	201,461	204,321
	727,848	730,084
Provision for impairment	(369,653)	(372,527)
	358,195	357,557
Assets held for sale (Note 14)	-	(203,185)
	358,195	154,372

(Expressed in thousands of Trinidad and Tobago dollars)

12. Loans and Other Receivables (continued)

The table below illustrates the movement of the provision for impairment during the year.

	Promissory Notes	Mortgages	Policy Loans	Rental Income Due	Total
	$'000	$'000	$'000	$'000	$'000
As at December 31, 2021	302,234	61,959	1,136	7,198	372,527
Write back	-	-	-	(3,273)	(3,273)
Impairment	-	366	33	-	399
As at December 31, 2022	302,234	62,325	1,169	3,925	369,653

During the year, $399 (2021: $3,300) was impaired in loans and receivables.

	2022	2021
	$'000	$'000
13. Cash and Balances with Banks and Short-term Deposits		
Deposits maturing less than three months	1,126	4,569
Cash at bank	470,752	309,138
	471,878	313,707

	2022	2021
	$'000	$'000
14. Assets Held for Sale/Discontinued Operations		
Assets Held for Sale		
Investment properties	58,000	45,750
Government securities - bonds	-	6,933,815
Loans and receivables	-	203,185
	58,000	7,182,750

(Expressed in thousands of Trinidad and Tobago dollars)

14. Assets Held for Sale/Discontinued Operations (continued)

	2022 $'000	2021 $'000
Liabilities directly associated with assets held for sale		
Insurance contracts	-	6,454,239
Investment contracts	-	1,224,926
	-	7,679,165

In accordance with IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*, the following conditions must be met, inter alia, for an asset (or disposal group) to be classified as held for sale:

(a) Management is committed to a plan to sell;
(b) The asset is available for immediate sale;
(c) The sale is highly probable, within 12 months of classification as assets held for sale; and
(d) Actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn

With respect to the assets that relate to the SPA signed with SAGICOR, the Privy Council's dismissal of the Central Bank's appeal to the granting of Leave for the Judicial Review and the fact that the hearing of the substantive case has not yet commenced and will very significantly impact the timeframe as well as increased the uncertainty with regard to the execution of the SPA. Management is therefore of the view that there is a very high probability that the conditions at c) and d) above will not be met for the appropriate application of assets to be classified as held for sale.

Therefore, as at December 31, 2022 the assets and liabilities that relate to the SPA signed with SAGICOR are no longer classified as assets held for sale and liabilities directly associated with assets held for sale.

Investment properties includes sales agreements for the sale of five investment properties.

During the year, investment properties in the amount of $25,900 (2021: $68,200) were disposed of by CLICO and acquired by a related party.

(Expressed in thousands of Trinidad and Tobago dollars)

14. Assets Held for Sale/Discontinued Operations (continued)

	Notes	2022 $'000	2021 $'000
Balances associated with assets held for sale disclosed in the Statement of Profit or Loss			
Investment income		468	390,477
Net fair value gain (loss) on assets at fair value through profit or loss		-	442
Loss on trading managed funds units		-	(13,532)
Gain (loss) on revaluation of investment properties		1,250	(3,100)
Administration and asset management fees		-	6,435
Impairment loss of financial assets		-	(40,098)
Net results from investing activities		1,718	340,624
Expenses for administration		(1,308)	(77,347)
Investment contract movements	29	-	(42,424)
Revaluation loss on managed funds liabilities		-	(442)
Operating expenses		(1,308)	(120,213)
Net single line disclosure in the Statement of Profit or Loss		410	220,411
Net results from insurance activities		-	(104,329)
Net total		410	116,082
Balances associated with assets held for sale disclosed in the statement of other comprehensive income			
Other comprehensive loss		-	(72,692)

(Expressed in thousands of Trinidad and Tobago dollars)

14. Assets Held for Sale/Discontinued Operations (continued)

	2022 $'000	2021 $'000
Cash flows from discontinued operations		
Operating profit before taxation	410	116,082
Adjustments for:		
(Gain) loss on revaluation of investment properties	(1,250)	3,100
Investment income	(468)	(390,477)
Impairment loss of financial assets	-	40,098
Investment contract movement	-	(42,424)
Gain on trading Managed Funds units	-	(13,532)
Shareholders' funds transferred to Managed Funds	-	23,275
Fair value gain through profit or loss	-	(1,157)
Operating loss before changes in working capital	(1,308)	(265,035)
Changes in:		
Investment contracts	-	5,672
Net cash used in operating activities	(1,308)	(259,363)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of investment properties	11,750	8,150
Interest received	468	394,669
Net cash from investing activities	12,218	402,819
Cash and cash equivalents	10,910	143,456

(Expressed in thousands of Trinidad and Tobago dollars)

	2022	2021
	$'000	$'000

15. Share Capital

Authorised		
An unlimited number of ordinary shares of no par value		
Issued		
2,950,000 ordinary shares of no par value	14,750	14,750

Holders of these shares are entitled to dividends as declared from time to time. However, as a result of Central Bank intervention, and the issue of the redeemable preference shares, the Company cannot make dividend payments to ordinary shareholders until the full discharge of the obligation to repay all of the preference shares.

The Company is not allowed to issue any further ordinary shares except with the approval of the preference shareholder.

16. Valuation Reserves

	Managed Funds $'000	Marketable Securities $'000	Land and Buildings $'000	Total $'000
Year ended December 31, 2022				
Balance at December 31, 2021	169,621	1,785,694	111,152	2,066,467
Items that will not be reclassified to profit and loss				
Reclassification of gain on disposal of equity investments at FVOCI to accumulated surplus	-	(8,501)	-	(8,501)
Equity investments at FVOCI and land and buildings: Net change in fair value	-	(149,831)	583	(150,414)
Deferred tax adjustment	-	(9,462)	-	(9,462)
Items that are or may be reclassified subsequently to profit and loss				
Debt investments at FVOCI: Net change in fair value	-	(70,432)		(70,432)
Net movement in Trustee's units held in Managed Fund	27,382	-	-	27,382
Balance at December 31, 2022	197,003	1,547,468	111,735	1,856,206

(Expressed in thousands of Trinidad and Tobago dollars)

16. Valuation Reserves (continued)

	Managed Funds $'000	Marketable Securities $'000	Land and Buildings $'000	Total $'000
Year ended December 31, 2021				
Balance at December 31, 2020	161,207	1,741,703	111,783	2,014,693
Items that will not be reclassified to profit and loss				
Reclassification of gain on disposal of equity investments at FVOCI to accumulated surplus	-	(47,789)	-	(47,789)
Equity investments at FVOCI and land and buildings: Net change in fair value	-	133,548	(631)	132,917
Items that are or may be reclassified subsequently to profit and loss				
Debt investments at FVOCI- : Net change in fair value	-	30,924	-	30,924
Net change in fair value arising from assets held for sale	8,414	(72,692)	-	(64,278)
Balance at December 31, 2021	169,621	1,785,694	111,152	2,066,467

Valuation reserves relate to the fair value movements in the marketable securities, land and buildings and managed funds.

17. Insurance Contracts

	2022 $'000	2021 $'000
Long-term Insurance Contracts - Note 17.3 (a)	6,139,437	6,228,774
Short-term Insurance Contracts - Note 17.3 (b)	2,113	3,599
	6,141,550	6,232,373
Claims admitted or initiated but not yet paid	228,528	221,866
	6,370,078	6,454,239
Liabilities directly associated with assets held for sale (Note 14)	-	(6,454,239)
Total policyholders' liabilities	6,370,078	-

17. Insurance Contracts (continued)

17.1 Actuarial valuation

The Company's Appointed Actuary, Simone Brathwaite, in her report dated March 20, 2023, stated that the aggregate amount of the liabilities of the Company in relation to its long-term insurance business registered in Trinidad and Tobago as at December 31, 2022 amounted to \$6,370,078 (2021: \$6,454,239) and does not exceed the aggregate value (as provided by the Company) of the assets supporting policyholder liabilities.

The Caribbean Policy Premium Method (CPPM) was used as a minimum basis for valuing long-term insurance liabilities as described in the Insurance Act. However, the current Insurance Act of Trinidad and Tobago provides that no policy shall be treated as an asset whereas CPPM allows negative reserves. Thus, CPPM is applied with a zero reserve floor in this valuation. This method uses a traditional discounted cash flow valuation platform.

The actuary valued the policy liability by projecting future policy cash flows, and then discounting these cash flows to the reporting date at risk adjusted interest rates. Due to uncertainty in the future experiences, margins for adverse deviation from the Company's recent experiences are added in deriving future policy cash flows.

COVID-19 Considerations

COVID-19 was officially deemed a pandemic by the World Health Organization (WHO) on March 11, 2020. CLICO has continuously monitored the impact of COVID-19 throughout the year and has noted that year-to-date pandemic experience on its insured population has not been material.

Mortality

Over 90% of CLICO's actuarial reserves consists of deferred and pay out annuities where higher mortality is favourable for the aggregate business. As part of the COVID-19 stress testing, mortality rates were increased by 20% for all lines of business for 2021 and 2022, this resulted in a reserve release of \$12,100. The Company has also been tracking deaths reported on its smaller Ordinary Life business. Thus far 48 reported deaths in this portfolio were due to COVID-19 in 2022.

17. Insurance Contracts (continued)

17.1 Actuarial valuation (continued)

COVID-19 Considerations (continued)

Policyholder Behavior

The Company also tracked premium payment and termination experience this year to compare with historical experience in order to detect if there is potential deviation due to COVID-19. Similar to mortality experience, policyholder behaviour experience has not deviated materially compared to prior years. In addition, the aggregate business is relatively insensitive to change in premium persistency and lapse rates, as demonstrated in experience updates.

Interest Rate

Most of company's existing assets backing actuarial reserves consists of Government of Trinidad and Tobago (GOTT) bonds. A reduction in interest rate will increase the market value of inforce assets, which will partially offset the impact on reserve changes due to lower valuation interest rates. Also, the Government Trinidad and Tobago has not given any indication that it intends to reduce the yield curve in response to COVID-19. Therefore, no provision is made on this account.

No provision was made for COVID-19 as of December 31, 2022. The Company plans to continue monitoring experience as it emerges and adjust actuarial reserves as needed, in accordance with existing valuation methodologies.

17.2 Long-term and short-term life insurance contracts - assumptions and sensitivity

(a) Process used to decide on assumptions

At each reporting date, the valuation assumption for each component of policy cash flows consists of an assumption for the expected experience and, separately, a margin for adverse deviation that reflects the degree of uncertainty in the expected experience assumption. The expected experience and the margin reflect the latest current experiences.

17. Insurance Contracts (continued)

17.2 Long-term and short-term life insurance contracts - assumptions and sensitivity (continued)

(a) Process used to decide on assumptions (continued)

The assumptions used for the long-term insurance contracts disclosed in this note are as follows:

Mortality

For long-term life insurance policies, the mortality assumptions are made based on 1986-92 Canadian Institute of Actuaries Select and Ultimate mortality tables. An investigation into the Company's mortality experience is performed, and the mortality tables are adjusted to reflect the Company's experience and territory differences. Additional margin was provided for uncertainty in setting the expected mortality assumptions.

For all immediate and deferred payout annuity policies, the mortality assumptions are based on 1994 Group Annuitant Mortality Static tables. Mortality improvement is assumed for past and future years. Additional margin was provided for uncertainty in setting the expected mortality assumptions.

Lapses

Future lapses were assumed in valuing the actuarial liabilities of the individual life insurance, universal life insurance and FPA business based on the Company's experience since 1999. Additional margins were provided for uncertainty in setting the expected lapse assumptions.

Interest rates

Valuation interest rate assumptions are determined based on the following information:

i. Projected investment income and market values of all assets supporting policyholder liabilities at December 31, 2022
ii. Margined liability cash flows at December 31, 2022
iii. Trinidad and Tobago Treasury yield curve as at December 31, 2022
iv. Yield curve used for reinvestment and disinvestments.

Additional allowances are made for investment income tax, investment expenses, asset default and asset/liability mismatch.

The assets supporting policyholder liabilities as of December 31, 2022 are meant to support Ordinary Long-term Insurance Business, EFPA, GAP and GAAPP.

In addition, as suggested in the Guidance Note document on the Quantitative Impact Study (QIS) published by the Central Bank, the expected return on equities from the combination of dividend, capital growth and maturity proceeds for a consistent term should not exceed return on government debt instruments plus 1%.

17. Insurance Contracts (continued)

17.2 Long-term and short-term life insurance contracts - assumptions and sensitivity (continued)

(a) Process used to decide on assumptions (continued)

Expenses

Policy administrative expense assumptions are made based on the Company's operating experience during the year of valuation. An expense study is performed by the Company, and a per-policy administrative expense is derived from the results of the analysis. A future expected rate of expense inflation is assumed based on the actual rate of inflation in Trinidad and Tobago during the year of valuation.

Morbidity assumptions

Critical illness morbidity rates were based on rates supplied by Swiss Re and a margin for adverse deviation is added.

(c) Change in assumptions

The following table presents changes in assumptions from the prior year valuations and their impact on the value of insurance liabilities in the current year.

Assumption	**Change in Assumption**	**Reason for Assumption Change**	**Increase (Decrease) in Policy Liabilities ($'000)**	**Percentage of Change (as % of total liabilities)**
Annuitant Mortality	Change in mortality multiple	Update historical mortality improvement	8,926	0.15%
Future mortality improvement	Update base year of MI projection for annuities	Consistent future mortality improvement	(3,424)	-0.06%
Lapse rates	Update lapses for FPAs, UL and TRAD. Performed a Multiflex lapse study for first time.	Reflected recent lapse experience	(1,316)	-0.02%

(Expressed in thousands of Trinidad and Tobago dollars)

17. Insurance Contracts (continued)

17.2 Long-term and short-term life insurance contracts - assumptions and sensitivity (continued)

(b) Change in assumptions (continued)

Assumption	Change in Assumption	Reason for Assumption Change	Increase (Decrease) in Policy Liabilities ($'000)	Percentage of Change (as % of total liabilities)
Premium persistency	Updated premium persistency vectors for UL and FPAs. Performed a Multiflex lapse study for the first time.	Reflected recent premium experience	(3,721)	-0.06%
Annuitization guarantee	Reflected new mortality multiple and updated annuitization % for Multiflex	Reflected recent annuitization experience	12,824	0.21%
Per policy expense	Update to unit expenses	Updated expenses and policy count	8,982	0.15%
Interest rates	Change in valuation interest rates	Changes in asset values	(51,824)	-0.85%

(Expressed in thousands of Trinidad and Tobago dollars)

17. Insurance Contracts (continued)

17.2 Long-term and short-term life insurance contracts - assumptions and sensitivity (continued)

(c) Sensitivity analysis

The following tables present the sensitivity of the value of insurance liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance liabilities.

As at December 31, 2022

Variable	Change in Variable	Increase (Decrease) in Policy Liabilities	Change
		$'000	%
Parallel shift of valuation	100 basis points	687,391	11.51
Change in per-policy maintenance expense	10%	45,460	0.76
Change in rate of inflation	100 basis points	49,944	0.84
Reduction in lapse rate	100 basis points	4,586	0.08
Change in mortality rate	10%	103,041	1.73

As at December 31, 2021

Variable	Change in Variable	Increase (Decrease) in Policy Liabilities	Change
		$'000	%
Parallel shift of valuation	100 basis points	718,809	11.82
Change in per-policy maintenance expense	10%	47,448	0.78
Change in rate of inflation	100 basis points	53,932	0.89
Reduction in lapse rate	100 basis points	4,845	0.08
Change in mortality rate	10%	104,680	1.72

(Expressed in thousands of Trinidad and Tobago dollars)

17. Insurance Contracts (continued)

17.3 Movement in insurance liabilities

(a) Long-term insurance contracts with fixed terms and guaranteed amounts

	2022 $'000	2021 $'000
At beginning of year	6,228,774	6,315,365
Impact of in force movement	(47,466)	(75,168)
Impact of assumption change	(29,551)	(25,265)
Impact of correction and model refinement	(12,320)	13,842
At end of year	6,139,437	6,228,774

(b) Short-term insurance contracts with fixed terms and guaranteed amounts

	2022 $'000	2021 $'000
At beginning of year	3,599	7,479
Other movements	(1,486)	(3,880)
At end of year	2,113	3,599

18. Investment Contracts

	2022 $'000	2021 $'000
Managed funds (a)	767,122	-
Deposit administration contracts	476,006	-
EFPA investment contracts (b)	101,339	146,939
	1,344,467	146,939

(a) The benefits offered under the Company's investment contracts are mainly based on the return on the assets of the Company. This investment mix is unique and cannot be replicated by any benchmark indicator or combinations thereof with sufficiently high correlation to the assets of the Company. The Company communicates the performance of these contracts, by the change in the unit values for Managed Funds, and by the rate of interest credited for deposit administration contracts.

(Expressed in thousands of Trinidad and Tobago dollars)

18. Investment Contracts (continued)

(a) (continued)

The assets backing Managed funds liabilities are included in the relevant balances in the statement of financial position. The carrying values of assets pledged for these liabilities are as follows:

	2022 $'000	2021 $'000
Government securities (Note 10)	897,712	925,047

(b) The Company classifies EFPA as an investment contract under IFRS 9. To ensure the adequacy of the liability to cover the minimum guarantees, the liability is set to the maximum of the account value and the aggregate present value of projected benefits assuming the account value continues to accumulate under contractual minimum guaranteed credited rate until maturity.

In 2015 the Company began its First Partial Distribution of cash to Statutory Funds STIPs policyholders including the Government. The total value of this distribution during 2015 was $4,900,000 to both the Government and individuals who did not accept the Government's previous offer in 2011.

The remaining EFPA Investment Contracts have been valued taking into consideration the residual balance of the STIP contracts assigned to the GORTT by policyholders who accepted the Government's pay-out offer in 2011. This offer involved policyholders accepting a pay-out value equivalent to the policy value as at the last renewal date before September 10, 2010, less principal withdrawals, and the policyholders assigning their policy to the Government. These policies, now assigned to GORTT, are valued at the pay-out value. The remainder of the EFPA contracts (for policyholders who did not accept the Government's 2011 offer) were valued at the fund value basis with margins on exchange rates.

Retail EFPA policies over the maximum contractual maturity age have matured and the account value of $46,660 was moved to accounts payable. The accumulated balance continues to be available for payment to non-related party EFPA policyholders. The balance of $46,660 will not accrue at the minimum guaranteed contractual rates under the EFPA policy after maturity.

(Expressed in thousands of Trinidad and Tobago dollars)

19. Mutual Fund Obligations

The Company is the advisor, manager and distributor of the Colonial Life Family of Funds.

The Company guaranteed the principal and interest to the unit holders of the Core (Series VI) and Power (Series VI) Funds. The original guarantee was for the principal and for a specified interest rate of return over a specified period of time.

The Company has a mutual fund obligation liability of $7,012 (2021: $42,661) at the reporting date. In prior years this value was an estimate of the liability that the Company is exposed to should the Core (Series VI) and/or Power (Series VI) not perform to the level of the guarantee. This estimate for 2022 continues to be based on the level of acceptance of the GORTT's pay out offer to Core (Series VI) unit holders.

In 2022, there were significant surrenders of Power (Series VI) Funds policies with an account value of $36,656. This amount is included in accounts payables.

No management fee was accrued for 2022 (2021: $NIL).

20. Due to Related Parties

	2022 $'000	2021 $'000
Current accounts with related parties are as follows:		
Affiliates	128,893	129,389

The balance due to affiliates are unsecured and interest free. There are no fixed repayment terms. Affiliates are entities under common control.

(Expressed in thousands of Trinidad and Tobago dollars)

21. Loans and Borrowings

	2022 $'000	2021 $'000
Non-current liabilities		
Lease liabilities	-	1,432
	-	1,432
Current liabilities		
Redeemable preference shares	1,029,357	1,212,016
Current portion of lease liabilities	2,827	2,054
Total	1,032,184	1,215,502

Redeemable preference shares

All issued preference shares are fully paid. Redeemable preference shares do not carry the right to vote and rank equally with other shares with regard to the Company's residual assets, except that holders of redeemable preference shares participate only to the extent of the face value of the shares.

These redeemable cumulative preference shares carry an annual dividend rate of 4.75 percent of the par amount. There is no specified repayment date for the preference shares. Repayment is based on the discretion and the availability of funds by the Company. The repayment is expected to occur within the next five years based on the plans for the sale of the traditional portfolio.

Reconciliation of Movements of Liabilities to Cash Flows Arising from Financing Activities

	2022 $'000	2021 $'000
Balance at January 1	1,405,400	1,710,072
Changes from financing cashflows		
Repayment of borrowings	(182,659)	(372,327)
Total changes from financing cashflows	1,222,741	1,337,745
Other changes liability-related		
Interest payment	-	(10,515)
Interest expense	54,157	78,170
	54,157	67,655
Total liability-related other changes	28,257	(468,859)
Balance at December 31	1,276,898	1,405,400

Non-cash payments of $25,900 (2021: $547,000) occurred during the year in relation to interest expense and principal repayments in 2021.

(Expressed in thousands of Trinidad and Tobago dollars)

22. Accounts Payable

	2022 $'000	2021 $'000
Due to GORTT	42,926	14,669
Other payables	216,557	194,600
EFPA maturities payable (Note 18)	46,660	-
Mutual fund surrenders payable (Note 19)	36,656	-
Managed Fund	5,622	5,622
	348,421	214,891

Included in account payable are EFPA contracts over the maximum contractual maturity age have matured with an account value of $46,660 and surrenders of mutual funds in the amount of $36,656.

Included in Other payables is $180,000 (2021: $180,000) due to the Mutual Funds.

23. Net Insurance Premium

	2022 $'000	2021 $'000
Insurance premium		
Long-term insurance contracts	136,639	125,080
Short-term insurance contracts	31,423	46,076
	168,062	171,156
Insurance premium ceded to reinsurers		
Long-term reinsurance contracts	(2,405)	(3,620)
Short-term reinsurance contracts	(2,818)	(1,104)
	(5,223)	(4,724)
Net insurance premium	162,839	166,432

(Expressed in thousands of Trinidad and Tobago dollars)

24. Insurance Benefits and Claims

	2022 $'000	2021 $'000
Long-term insurance contracts		
- Death, maturity and surrender benefits	47,488	38,585
- Pensions and lump sum benefits	332,849	282,595
- Other terminations	363	378
	380,700	321,558
Short-term insurance contracts		
- Health benefits	8,433	21,396
- Death claims	23,547	15,678
	31,980	37,074
Insurance benefits and claims	412,680	358,632

25. Investment Income

	2022 $'000	2021 $'000
Net income from financial instruments designated at FVTPL	88,672	42,854
Net income from financial instruments measured at FVOCI		
Short-term deposits	19	1,760
Government securities	353,837	362,119
Loans and advances	958	1,110
Equities	254,356	258,989
Rental income	11,933	12,962
Other income		
Bank accounts	11	11
Other income	118	10,960
	709,909	690,765

(Expressed in thousands of Trinidad and Tobago dollars)

26. Gain on Sale of Investments and Other Assets

	2022 $'000	2021 $'000
Property and equipment	-	6
Company equities	-	60,031
	-	60,037

27. Other Income

	2022 $'000	2021 $'000
Administration charges - Group Health	566	343
D.A.C service fees	839	1,454
Exchange gains	8,926	2,859
	10,331	4,656

28. Expenses for Administration

	2022 $'000	2021 $'000
Employee costs	31,617	29,186
Marketing	391	37
Professional fees	45,466	37,040
Depreciation	4,976	5,719
Directors fees	619	552
Repairs and maintenance	9,607	10,097
Net write offs and write backs	(1,189)	4,405
Withholding tax	96	18
Utilities	5,016	3,088
Office expenses	8,030	12,754
Other expenses	5,878	18,653
	110,506	121,549

(Expressed in thousands of Trinidad and Tobago dollars)

29. Investment Contract Movements

	2022 $'000	2021 $'000
Deposit Administration funds	9,482	11,168
Managed funds	24,966	31,256
Movement in EFPA		
- Due to policyholders not accepting GORTT offer	5,912	3,776
	40,360	46,200

30. Finance Costs

	2022 $'000	2021 $'000
Interest on debt securities	54,157	78,152
Other finance costs, net	317	295
	54,474	78,447

31. Taxation

	2022 $'000	2021 $'000
(i) Tax expense for the year		
Current tax	5,119	4,241
Change in estimate related to prior year	(91)	-
	5,028	4,241
Deferred tax	(127)	914
Change in estimate related to prior year	1,662	-
	6,563	5,155

(Expressed in thousands of Trinidad and Tobago dollars)

31. Taxation (continued)

(ii) *Tax reconciliation*

The following is a reconciliation between tax and accounting profit multiplied by the applicable tax rate:

	2022 $'000	2021 $'000
Profit before taxation	300,163	372,765
Tax calculated at the rate applicable to each of insurance business	2,498	26,456
Tax effect of income not subject to tax	(124,309)	(139,730)
Tax effect of expenses not deductible	128,976	118,881
Utilisation of prior year tax losses	(2,173)	(542)
Change in estimate related to prior year - current tax	(91)	-
Change in estimate related to prior year - deferred tax	1,662	-
Tax expense	6,563	5,155

(iii) *Deferred taxation*

	2022 $'000	2021 $'000
At the beginning of the year	16,462	17,314
Credited to equity	(9,462)	62
Charged to income statement	(1,535)	(914)
	5,466	16,462

	Balance brought forward $'000	Charged to equity $'000	Charged to profit or loss $'000	Balance carried forward $'000
December 31, 2022				
Accelerated tax depreciation	12	-	(1,534)	(1,522)
Short term reserves and unexpired risks	6,988	-	-	6,988
Unrealised gains on Investments*	9,462	(9,462)	-	-
	16,462	(9,462)	(1,534)	5,466

(Expressed in thousands of Trinidad and Tobago dollars)

31. Taxation (continued)

(iii) Deferred taxation (continued)

	Balance brought forward $'000	Charged to equity $'000	Charged to profit or loss $'000	Balance carried forward $'000
December 31, 2021				
Accelerated tax depreciation	926	-	(914)	12
Short term reserves and unexpired risks	6,988	-	-	6,988
Unrealised gains on investments	9,400	62	-	9,462
	17,314	62	(914)	16,462

* During the year, management identified the error in recording deferred tax on fair value changes in gains or losses in equity investment. Dividend on equity investments does not attract taxation in Trinidad and Tobago and as a result will not affect future tax input in the disposal of such assets.

32. Related Party Balances and Transactions

At the year end, the Company was 51% owned by C L Financial Limited and 49% owned by the Government of the Republic of Trinidad and Tobago. A number of transactions are entered into with related parties in the normal course of business. The related party balances and transactions for the year are as follows:

	2022 $'000	2021 $'000
Statement of Financial Position - Assets		
Fellow subsidiary companies		
Investment in associates	905,857	722,553
Associated companies		
Investment in associates	24,648	19,450
Subsidiary companies		
Investment in subsidiaries	2,283,408	2,607,275
Government		
Assets held for sale (Note 14)	-	6,933,815
Investment securities	8,250,376	1,381,150
Total related party assets *(carried forward)*	11,464,289	11,664,243

(Expressed in thousands of Trinidad and Tobago dollars)

32. Related Party Balances and Transactions (continued)

	2022 $'000	2021 $'000
Total related party assets *(brought forward)*	11,464,289	11,664,243
Statement of Financial Position - Liabilities		
Government		
Debt securities issued	1,029,357	1,212,016
Lease liabilities	2,827	3,486
Accounts payable	42,926	14,669
Fellow subsidiary companies		
Due to related parties	128,893	129,389
Other related parties		
Mutual fund obligation	187,012	222,661
Total related party liabilities	1,391,015	1,582,221
Net assets with related parties	10,073,274	10,082,022
Statements of Profit or Loss and Other Comprehensive Income - Income		
Fellow subsidiary companies		
Premiums	3,458	3171
Investment income – dividends received	246,357	241,517
Government		
Investment income – bonds	408,017	404,528
Associated companies		
Investment income – dividends received	843	738
Total income from related parties *(carried forward)*	658,675	649,954

(Expressed in thousands of Trinidad and Tobago dollars)

	2022	2021
	$'000	$'000
32. Related Party Balances and Transactions (continued)		
Total income from related parties *(brought forward)*	658,675	649,954
Statement of Profit or Loss – Expenses		
Government		
Interest on preference share - GORTT	54,157	78,152
Fellow subsidiary companies		
Insurance benefits	3,054	2,650
Medical services	34	36
Other	3,190	2,829
Associated companies		
Advertising expense	11	11
Total expenses with related parties	60,446	83,678
Net profit from related parties	598,229	566,276
Key management compensation		
Salaries and other short-term benefits	2,881	2,598

33. Leases

(a) *Leases as lessee*

The Company leases part of a property on which its Head Office is housed. The lease runs for a period of two years, with an option to renew the lease after that date for one year. The lease provides for additional rent payments. The Company is restricted from entering into any sub-lease arrangements. The lease expires in 2023 with the Company utilising the one year renewal.

The Company leases IT equipment with contract terms of one to three years. Theses leases are short-term and/or leases of low-value items. The Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about lease for which the Company is a lessee is presented on the next page.

(Expressed in thousands of Trinidad and Tobago dollars)

33. Leases (continued)

(i) Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property and equipment (Note 6)

	Land and buildings $'000
2022	
Balance at January 1	3,878
Adjustment to right-of- use assets	287
Depreciation charge for the year	(2,680)
Balance at 31 December	1,485

	2022 $'000	2021 $'000
(ii) Amounts recognised in profit or loss		
Interest on lease liabilities	206	368
Expenses relating to short-term leases	-	-
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	-	-

	2022 $'000	2021 $'000
(iii) Amounts recognised in statement of cash flows		
Total cash outflow for leases	-	-

During the year, the Company made lease payments on its right-of-use assets.

(iv) Extension options

Some property leases contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable by the Company and not by the lessors. The Company assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Company has estimated that the potential future lease payments, should it exercise the extension option, would result in a lease liability of $7,000.

(Expressed in thousands of Trinidad and Tobago dollars)

33. Leases (continued)

(b) Leases as a lessor

The Company leases out its investment property consisting of its owned commercial properties. All leases are classified as operating leases from a lessor perspective, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. (Note 3) sets out information about the operating leases of investment property.

Rental income recognized by the Company during 2022 amounted to $11,933.

The following table sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2022 $'000	2021 $'000
Less than one year	951	558
One to two years	55	1,673
Two to three years	-	-
Three to four years	-	-
Four to five years	-	-
More than five years	-	-
	1,006	2,231

34. Contingent Assets, Liabilities and Commitments

(a) The Company had given a guarantee to the Supervisor of Insurance Barbados agreeing to indemnify policyholders against any losses suffered as a condition of the transfer of its long-term portfolio to a fellow subsidiary incorporated in Barbados.

(b) There were a number of legal proceedings pending against the Company at the reporting date. A loss reserve of $90,000 has been made (2021: $90,000). No further provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

(c) **Legal Action – CLICO Energy Limited, now Process Energy (Trinidad) Limited**

In 2012 CLICO and CLF as Joint Claimants filed legal action against the purported purchaser of shares in CLICO Energy (Trinidad) Limited (CEL). 51% shareholding of CEL is held in the name of CLF, of which 17% of the shares is held in Trust by CLF for CLICO. The legal action sought to set aside the Purchase and Sale Agreement (PSA) that resulted in the sale of the CEL / (PETL) shares by CLF to the Purchaser and to restore the shareholdings to the status quo before the sale in 2009.

The Court delivered its judgement in September 2021. The Court declared the PSA between CLF and the Purchaser to be void. The matter is under appeal.

(Expressed in thousands of Trinidad and Tobago dollars)

34. Contingent Assets, Liabilities and Commitments (continued)

(c) **Legal Action – CLICO Energy Limited, now Process Energy (Trinidad) Limited** (continued)

The Court ordered inter alia that:

(i) The Purchaser immediately restore or cause the restoration to CLF of the said 51% of the PETL shares.

(ii) The Purchaser provide an account of all dividends and/or distributions made by PETL in connection with the said PETL shares which are the subject of the proceedings from the date of acquisition of the same to the date of restoration of the said shares.

(iii) The Claimants repay to the Purchaser the proceeds of the purported sale in the purchase price with interest by December 2021.

(iv) The Purchaser and PETL have since appealed the Court's decision and have applied for a Stay of the Court's Order pending the determination of the Appeal.

35. Principal Associated Undertakings

Quoted	**Country of Origin**	**Activity**	**Percentage Ownership***	
			2022	**2021**
			%	**%**
LJ Williams Limited	Trinidad and Tobago	Trading	21	21
Unquoted				
CL World Brands Limited	Scotland	Beverage Manufacturing	42	42

* Percentage ownership equates to voting rights.

36. Principal Subsidiary Undertakings

Unquoted	Country of Origin	Activity	Percentage Ownership* 2022 %	2021 %
Methanol Holdings International Limited	St. Kitts and Nevis	Energy – Methanol	56.53	56.53
Premium Security Services Limited	Trinidad and Tobago	Security (Protective) Services	100	100

The subsidiaries year end is December 31.

*Percentage ownership equates to voting rights.

37. Events after the Reporting Date

To ensure compliance with regulatory requirements CLICO has embarked on the process to sell the portion of its MHIL shares outside regulations.

Consolidated Financial Statements of

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

December 31, 2022

(Expressed in thousands of Trinidad and Tobago dollars)

Contents **Page**

COLONIAL LIFE
INSURANCE COMPANY (TRINIDAD) LIMITED
P.O. Box 443, 29 St. Vincent Street, Port of Spain, Republic of Trinidad & Tobago, W.I.
Tel: (868) 623-1421, Fax: (868) 627-3821, Email: info@clico.com, Website:clico.com

Statement of Management's Responsibilities
Colonial Life Insurance Company (Trinidad) Limited

Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of Colonial Life Insurance Company (Trinidad) Limited (CLICO) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising significant accounting policies and other explanatory information;
- Ensuring that the Group keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Group's assets, detection/prevention of fraud and the achievement of the Group's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that complies with laws and regulations, including the Companies and Insurance Acts; and
- Using reasonable and prudent judgment in the determination of estimates.

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

Certain directives issued by the Central Bank of Trinidad and Tobago have resulted in the curtailment of the Group's operations. Subject to Note 1 thereafter, the Group continues to maintain its operations in the normal course of business and continues to operate as a going concern.

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

Claire Gomez-Miller	Stacel Peters-Scipio
Executive Chairman	Chief Financial Officer
Date: March 31, 2023	Date: March 31, 2023

1.5. Opinion of the Appointed Actuary

The actuarial certificates are required by the Insurance Act and Regulation 18 of the Insurance (Caribbean Policy Premium Method) Regulations.

1.5.1. Actuarial Certification – Long-term insurance and investment contracts

This actuarial certificate is provided in accordance with the provisions of the Insurance Act, with respect to CLICO's long-term insurance business.

I have examined the financial position and valued the policy liabilities and other actuarial liabilities, and reinsurance recoverables, of Colonial Life Insurance Company (Trinidad) Limited (CLICO) for its statement of financial position as at December 31, 2022 and the corresponding changes in the statement of income for the year then ended 2022.

I certify that:

a. I am currently in good standing with my governing actuarial accreditation body;
b. I meet the appropriate qualification standards;
c. I am familiar with the actuarial valuation and capital adequacy requirements applicable to insurers carrying on long-term insurance business in Trinidad and Tobago; and
d. I have complied with the requirements of the Insurance Act, 2018 and applicable Regulations made thereunder.

In my opinion-

a. The methods and procedures used in the verification of the valuation data are sufficient and reliable and fulfil acceptable standards of care;
b. The methods and assumptions used to calculate the policy liabilities and other actuarial liabilities are appropriate to the circumstances of the insurer and of the underlying policies and claims; and
c. The policy liabilities and other actuarial liabilities represented in the statement of financial position of CLICO amounting to $TT 7,394,111,422[3] and the reinsurance recoverables of -$TT 11,544,758 make proper provision for all policy obligations and the insurance returns fairly presents the results of the valuation.

Simone Brathwaite, FCIA, FSA, CERA
Appointed Actuary, CLICO

March 20, 2023

[3] Policy liabilities presented net of reinsurance and exclude any liability held for outstanding claims

1.5.2. Actuarial Certification – Short-term insurance and investment contracts

This actuarial certificate and opinion are provided in accordance with the requirements of the Insurance Act with respect to the short-term investment business (EFPA).

I have examined the financial position and valued the short-term investment policy liabilities of Colonial Life Insurance Company (Trinidad) Limited (CLICO) for its statement of financial position as at December 31, 2022 and the corresponding changes in the statement of income for the year then ended 2022.

I certify that:

a. I am currently in good standing with my governing actuarial accreditation body;

b. I meet the appropriate qualification standards;

c. I am familiar with the actuarial valuation and capital adequacy requirements applicable to insurers carrying on short-term insurance business in Trinidad and Tobago; and

d. I have complied with the requirements of the Insurance Act, 2018 and applicable Regulations made thereunder.

In my opinion-

a. The methods and procedures used in the verification of the valuation data are sufficient and reliable and fulfil acceptable standards of care;

b. The methods and assumptions used to calculate the policy liabilities are appropriate to the circumstances of the insurer and of the underlying policies and claims; and

c. The policy liabilities represented in the statement of financial position of CLICO amounting to $TT 103,451,767 make proper provision for all policy obligations and the insurance returns fairly presents the results of the valuation.

Simone Brathwaite, FCIA, FSA, CERA
Appointed Actuary, CLICO

March 20, 2023

KPMG
Chartered Accountants
Savannah East
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P.O. Box 1328
Port of Spain
Trinidad and Tobago, W.I.

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Independent Auditors' Report
To the Shareholders of Colonial Life Insurance Company (Trinidad) Limited

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Colonial Life Insurance Company (Trinidad) Limited ("the Company") and its subsidiaries ("the Group)", which comprise the consolidated statement of financial position as at December 31, 2022, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

We do not express an opinion on the accompanying consolidated financial statements of the Group. Because of the significance of the matters described in the *Bases for Disclaimer Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an opinion on these consolidated financial statements.

Bases for Disclaimer of Opinion

1. We were unable to obtain sufficient appropriate audit evidence over the balances and transactions of the material subsidiary (Methanol Holdings International Limited (MHIL)) that are included in these consolidated financial statements as at and for the year ended December 31, 2022 as we were denied access to the necessary audit working papers and group reporting from the subsidiary in order to allow us to complete the required audit procedures. Consequently, we were unable to determine whether any adjustments might have been necessary in respect of the consolidated statements of financial position, other comprehensive income, changes in equity and cash flows as at and for the year then ended. The audit report on the consolidated financial statements as at and for the year ended December 31, 2021 was similarly modified.

2. The Group's investment in CL World Brands limited (CLWB) is carried at $485 million representing 3.67% of total assets. We were unable to obtain sufficient appropriate audit evidence on the financial information provided because we were denied access to the management and the auditors of CLWB. We were unable to satisfy ourselves regarding the amounts recorded through alternative means. Consequently, we were unable to determine whether any adjustments were necessary to the amounts shown in the consolidated statement of financial position as at December 31, 2022 for investments in associates and the related elements in the consolidated statements of income, other comprehensive income and cash flows for the year then ended. The audit report on the consolidated financial statements as at and for the year ended December 31, 2021 was similarly modified.

Emphases of Matter

1. We draw attention to Note 1 to the consolidated financial statements, which describes the amendment to the Central Bank Act (the Act) that was passed by the Parliament of the Republic of Trinidad and Tobago and its implications for the Company. Further, the Company was required to cease writing new business, effective August 2014 onwards, and that the Company continues to manage the run-off of existing policies. Effective December 1, 2022, the Central Bank of Trinidad and Tobago terminated its control of the Company under Section 44G of the Act.

2. On September 30, 2019, the group executed a sale and purchase agreement (SPA) with Sagicor Life Inc for the sale of the Group's traditional insurance portfolio. The effective date of the transfer is dependent on regulatory approval from the Central Bank.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with International Standards on Auditing and to issue an auditors' report. However, because of the matters described in the *Bases for Disclaimer of Opinion* section of our report, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an opinion on these consolidated financial statements.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including international independence standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Trinidad and Tobago, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

KPMG

Chartered Accountants

Port of Spain
Trinidad and Tobago
March 31, 2023

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Consolidated Statement of Financial Position

December 31, 2022

(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	2022	Restated 2021	Restated January 1, 2021
		$'000	**$'000**	**$'000**
ASSETS				
Property, plant and equipment	6	1,673,235	1,560,791	1,646,201
Intangible asset	7	7,585	9,150	906
Investment properties	8	179,740	228,400	353,900
Investment in associates	9	510,735	496,389	491,417
Investment securities	10	8,621,938	1,767,680	1,951,370
Deferred tax assets	38	5,466	16,462	17,314
Taxation recoverable		86,595	86,595	86,595
Loans, leases and other receivables	12	909,520	869,188	750,458
Inventories	13	285,891	342,500	301,608
Cash and balances with banks and short-term deposits	14	894,315	892,898	706,289
Assets held for sale	15	58,000	7,182,750	7,306,800
Total assets		13,233,020	13,452,803	13,612,858
EQUITY				
Share capital	16	14,750	14,750	14,750
Accumulated surplus		2,015,627	1,749,400	1,255,415
Valuation reserves	17	(295,270)	(228,127)	(208,229)
Equity and reserves attributable to owners		1,735,107	1,536,023	1,061,936
Non-controlling interest	18	1,131,614	1,215,957	1,077,226
Total equity		2,866,721	2,751,980	2,139,162
LIABILITIES				
Insurance contracts	19	6,370,078	-	-
Investment contracts	20	1,344,467	146,939	145,043
Provision for site restoration	25	351,890	336,157	320,086
End of service benefits	24	22,119	19,726	18,052
Deferred tax liabilities	36	97,778	101,708	102,458
Due to related parties	23	128,893	129,389	70,811
Loans and borrowings	22	1,271,169	1,578,081	2,538,754
Mutual fund obligations	21	7,012	42,661	41,857
Taxation payable		177,316	233,322	85,547
Accounts payable	26	595,577	433,675	424,535
Liabilities directly associated with assets held for sale	15	-	7,679,165	7,726,553
Total liabilities		10,366,299	10,700,823	11,473,696
Total equity and liabilities		13,233,020	13,452,803	13,612,858

The accompanying notes on pages 14 to 148 are an integral part of these consolidated financial statements.

Director ____________________
Claire Gómez-Miller
Executive Chairman

Director U. Miller
Ulric Miller
Board Audit Committee Chair

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Consolidated Statement of Profit or Loss

For the year ended December 31, 2022
(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	2022	Restated 2021*
		$'000	**$'000**
Insurance premium		168,062	171,156
Reinsurance premium ceded		(5,223)	(4,724)
Net insurance premium	27	162,839	166,432
Insurance benefits and claims	28	(412,680)	(358,632)
Expenses for the acquisition of insurance and investment contracts		(2,697)	(2,803)
Change in value of insurance contracts		90,824	90,674
Underwriting expenses		(324,553)	(270,761)
Net results from insurance activities		(161,714)	(104,329)
Gross sales of energy products	39	2,542,774	2,843,746
Cost of sales of energy products	29	(1,202,317)	(1,201,683)
Gross profit from energy operations		1,340,457	1,642,063
Investment income	30	463,552	449,249
Gain on sale of investments and other assets	31	-	60,037
Loss on trading managed fund units		(19,709)	(13,532)
Administration and asset management fees		9,886	6,435
Impairment gain (loss) on financial assets		(6,793)	(40,098)
Loss on revaluation of investment properties	8	(1,910)	(7,800)
Other income	32	28,250	28,961
Net results from investing activities		473,276	483,252
Expenses for administration	33	(743,391)	(636,074)
Investment contract movements	34	(40,360)	(46,200)
Revaluation loss on managed fund liabilities		(34,497)	(442)
Operating expenses		(818,248)	(682,716)
Results of operating activities before net financial costs		833,771	1,338,270
Finance costs	35	(73,640)	(118,818)
Finance income	35	5,656	19,800
		(67,984)	(99,018)
Operating profit		765,787	1,239,252
Share of after tax profits of associated companies		14,109	3,345
Operating profit before taxation		779,896	1,242,597
Taxation	36	(112,400)	(176,003)
Profit for the year before performance of assets held for sale		667,496	1,066,594
Profit from asset held for sale		410	-
Profit for the year		667,906	1,066,594

*The comparative information is restated on account of the insurance activities being reclassified from discontinued operations. See Note 15. See Note 38 regarding restatement.

The accompanying notes on pages 14 to 148 are an integral part of these consolidated financial statements.

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Consolidated Statement of Other Comprehensive Income

For the year ended December 31, 2022
(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	2022	Restated 2021
		$'000	**$'000**
Profit for the year		667,906	1,066,594
Other comprehensive income			
Deferred tax adjustment	31	(9,462)	-
Items that will not be reclassified to profit or loss			
Equity investments at FVOCI			
- Net change in fair value	17	(6,713)	61,772
- Taxation		-	62
- Revaluation of property - land and buildings	17	583	(631)
		(6,130)	61,203
Items that are or maybe reclassified to profit or loss			
Debt instruments at FVOCI:			
- Net change in fair value	17	(70,432)	30,924
Equity accounted investees – share of OCI	9	237	1,627
Assets held for sale:			
- Net change in fair value	17	-	(72,692)
Total other comprehensive income, net of tax		(85,787)	21,062
Total comprehensive income, net of tax		582,119	1,087,656
Profit attributable to:			
Owners of the Company		265,246	450,124
Non-controlling interest		402,660	616,470
		667,906	1,066,594
Total Comprehensive Income attributable to:			
Owners of the Company		179,459	471,186
Non-controlling interest		402,660	616,470
		582,119	1,087,656

See Note 38 regarding restatement.

The accompanying notes on pages 14 to 148 are an integral part of these consolidated financial statements.

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022
(Expressed in thousands of Trinidad and Tobago dollars)

	Share Capital $'000	Accumulated Surplus $'000	Valuation Reserves $'000	Total $'000	Non Controlling Interest $'000	Total $'000
Year ended December 31, 2022						
Restated balance at January 1, 2022	14,750	1,749,400	(228,127)	1,536,023	1,215,957	2,751,980
Profit for the year	-	265,246	-	265,246	402,660	667,906
Other comprehensive income	-	237	(86,024)	(85,787)	-	(85,787)
Reclassification of gain on disposal of equity instruments at FVOCI to accumulated surplus	-	8,501	(8,501)	-	-	-
Dividends paid	-	-	-	-	(487,787)	(487,787)
Translation differences	-	(7,757)	-	(7,757)	784	(6,973)
Total comprehensive income	-	266,227	(94,525)	171,702	(84,343)	87,359
Transactions with owners of the Group						
Net movement in trustee's units held in Managed Funds	-	-	27,382	27,382	-	27,382
Balance at December 31, 2022	**14,750**	**2,015,627**	**(295,270)**	**1,735,107**	**1,131,614**	**2,866,721**

The accompanying notes on pages 14 to 148 are an integral part of these consolidated financial statements.

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022
(Expressed in thousands of Trinidad and Tobago dollars)

	Share Capital $'000	Accumulated Surplus $'000	Valuation Reserves $'000	Total $'000	Non Controlling Interest $'000	Total $'000
Year ended December 31, 2021						
Balance at January 1, 2021	14,750	1,242,077	(16,019)	1,240,808	1,077,226	2,318,034
Impact of correction of errors	-	13,338	(192,210)	(178,872)	-	(178,872)
Restated balance at January 1, 2021	14,750	1,255,415	(208,229)	1,061,936	1,077,226	2,139,162
Profit for the year	-	450,124	-	450,124	616,470	1,066,594
Other comprehensive income	-	1,627	19,435	21,062	-	21,062
Reclassification of gain on disposal of equity instruments at FVOCI to accumulated surplus	-	47,789	(47,789)	-	-	-
Dividends paid	-	-	-	-	(482,747)	(482,747)
Translation differences	-	(5,555)	42	(5,513)	5008	(505)
Total comprehensive income	-	493,985	(28,312)	465,573	138,731	604,404
Transactions with owners of the Group						
Net movement in trustee's units held in Managed Funds	-	-	8,414	8,414	-	8,414
Restated balance at December 31, 2021	**14,750**	**1,749,400**	**(228,127)**	**1,536,023**	**1,215,957**	**2,751,980**

The accompanying notes on pages 14 to 148 are an integral part of these consolidated financial statements.

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Consolidated Statement of Cash Flows

For the year ended December 31, 2022
(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	2022	Re-presented 2021
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before taxation		779,896	1,242,597
Adjustments for:			
End of service costs		2,454	1,981
Depreciation and amortisation	6,7	186,450	145,521
Net write backs and write offs		(1,189)	4,405
Loss on revaluation of investment properties		1,910	7,800
Property, plant and equipment adjustment		(287)	-
Investment income		(429,055)	(448,807)
Loss on disposal of property, plant and equipment		3,617	-
Share of after tax profits of associated companies	9	(14,109)	(3,345)
Impairment loss on financial assets		6,793	40,098
Change in value of insurance contracts		(90,824)	(90,674)
Investment contracts movements		40,360	46,200
Loss (gain) on trading Managed Fund units		19,709	(13,532)
Shareholders' funds transferred to Managed Funds		18,664	23,275
Interest expense loans and borrowings		67,666	98,724
Fair value (gain) through profit or loss		(3,746)	(1,158)
Operating profit before changes in working capital		588,309	1,053,085
Changes in:			
- Insurance contracts		6,664	9,034
- Investment contracts		(31,972)	(4,874)
- Loans, leasehold and other receivables		92,722	(195,826)
- Accounts payable		46,110	(2,557)
- Inventories		55,543	(40,832)
- Due to related parties		(496)	58,578
Taxes paid		(176,368)	(25,238)
Net cash from operating activities		580,512	851,370
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	22	-	3,253
Dividends paid	22	(487,787)	(482,747)
Interest paid	22	(4,436)	(15,607)
Repayment of lease liabilities	22	(96,214)	(78,648)
Repayment of loans and borrowings	22	(221,887)	(411,623)
Net cash used in financing activities		(810,324)	(985,372)

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Consolidated Statement of Cash Flows (continued)

For the year ended December 31, 2022
(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	2022	Re-presented 2021
		$'000	$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangibles	6,7	(304,139)	(19,426)
Proceeds from disposal of property and equipment		-	6
Proceeds from disposal of investment property		-	8,150
Dividends received		7,998	17,472
Interest received		428,099	435,944
Transfer to debt service reserve current account		55,502	(96,201)
Sale of investment securities		103,465	11,890
Purchase of investment securities		(103,849)	(205,144)
Redemption escrow		-	-
Proceeds from lease receivables		90,983	71,602
Change in fixed deposits maturing more than 3 months		-	140,099
Net cash from investing activities		278,059	364,392
Increase in cash and cash equivalents		48,247	230,390
Increase in cash and cash equivalents – Assets held for sale	15	10,910	-
Net increase in cash and cash equivalents		59,157	230,390
Effect of exchange rate changes on cash and cash equivalents		(1,665)	50
CASH AND CASH EQUIVALENTS AT START OF YEAR		708,735	478,295
CASH AND CASH EQUIVALENTS AT END OF YEAR		766,227	708,735
CASH AND CASH EQUIVALENTS REPRESENTED BY			
Deposits maturing less than three months	14	1,303	4,569
Cash at bank	14	764,924	704,166
		766,227	708,735

During the year, certain assets were disposed of in the amount of $25,900 (2021: $547,000) to extinguish debt to a related entity. This transaction did not result in an exchange of cash and is omitted from the cash flows above.

*The comparative information is re-presented on account of the insurance activities being reclassified from discontinued operations. See Note 15.

The accompanying notes on pages 14 to 148 are an integral part of these consolidated financial statements.

1. General Information

Colonial Life Insurance Company (Trinidad) Limited ("CLICO") was incorporated on December 15, 1936, in the Republic of Trinidad and Tobago and is registered in accordance with Section 23 of the Insurance Act 2018 with effect from January 1, 2022, to carry on long-term, group and annuity business for the purpose of operating a closed portfolio. The classes include Accident and Sickness, Disability Income, Industrial Life and Life Insurance in Trinidad and Tobago.

The Company's registered address is 29 St Vincent Street, Port of Spain.

CLICO's principal operating subsidiary, Methanol Holdings International Limited (MHIL) was incorporated on July 7, 2004 in the Federation of St. Kitts and Nevis. It is a private exempt company, limited by shares. Its registered office is located at Law Office of Gonsalves & Hamel-Smith, Suite 26A, The Sands, George Street, Basseterre, St. Kitts. Its principal activity is that of an investment holding company. MHIL has one subsidiary, Oman Methanol Company LLC (OMC) which is registered in the Sultanate of Oman and is primarily engaged in the manufacturing and marketing of methanol. It started its commercial operations on September 1, 2007. MHIL held a 50% shareholding in OMC until 12 August 2008 and 60% thereafter. Collectively, CLICO and its subsidiary are referred to as the Group.

At December 31, 2008, CLICO was a wholly owned subsidiary of CL Financial Limited (the Parent), which is also incorporated in the Republic of Trinidad and Tobago. The registered offices of CLICO are located at 29 St Vincent Street, Port of Spain. Effective February 13, 2009, the Central Bank of Trinidad and Tobago (CBTT or Central Bank) assumed control of CLICO pursuant to the exercise of its emergency powers under section 44(D) of the Central Bank Act. The Parent entered into involuntary liquidation during the year 2018.

On September 10, 2009, the Government of the Republic of Trinidad and Tobago (GORTT) injected additional capital into CLICO by the acquisition of ordinary shares and preference shares. This transaction resulted in GORTT's ownership of 49% of the share capital of CLICO.

On September 8, 2010, the Minister of Finance in his 2011 Budget Presentation proposed a plan to further address the issue of the CLICO's restructuring. During 2011, CLICO commenced the pay-out process as outlined in the Budget Speech.

The first phase of the pay-out was started in March 2011 with payments to Executive Flexible Premium Annuities (EFPA)/Group Annuity Advanced Performance Policies (GAAPP)/ Group Advanced Protection (GAP) policyholders with balances under $75,000. The second phase of the pay-out to EFPA/GAAPP/GAP policyholders with policies over $75,000 in value started on December 1, 2011. Pay-outs for CSI Series 6 unit-holders with values under $75,000 commenced on June 21, 2011, while pay-outs to unit-holders with values over $75,000 commenced on March 1, 2012. This restructuring plan continued into 2012.

1. General Information (continued)

On September 17, 2011, the Parliament of Trinidad and Tobago passed the Central Bank (Amendment) Bill 2011 (the Bill). This amendment, which is to apply to all institutions subject to emergency State intervention, describes the process to stay all legal actions against CLICO whilst it operates under the provisions of Section 44(D) of the Central Bank Act. The Bill provides that the stay continues to apply once the Court is satisfied that it is necessary in so far as any legal action against the Group constitutes a risk to the national good. Consequently, most matters against the Group have been stayed.

In May 2014, the Governor of the CBTT indicated that as part of the resolution strategy for CLICO, the Central Bank proposed to transfer CLICO's traditional insurance portfolio, for value to an acquiring insurance company that is appropriately capitalized, has a proven track record and the capacity to honour all obligations to policyholders. The final independent valuation of CLICO's traditional portfolio as of December 31, 2013, was received in November 2014.

In August 2014, CLICO was advised by the Central Bank to cease writing new business with limited exceptions. The effective date of this cessation was September 1, 2014. Based on this advisory the Group also terminated the services of its agents effective September 24, 2014.

In March 2015, the Central Bank directed CLICO to undertake, as part of Central Bank's resolution plan, the First Partial Distribution of cash to all Statutory Fund STIP holders, including the Government. The first partial distribution value paid to each holder represented 85% of the principal value at maturity for each policy. This first partial payment process commenced in March 2015 and continued throughout the year.

In July 2016, under the Central Bank's directive, CLICO commenced the final payment to all third party resident and non-resident STIP holders and holders of mutual fund contracts. This offer met the full payments on contractual liability under these policies.

During 2017, further to the receipt of directives from the Central Bank, CLICO continued to repay its liabilities to the Government, by cash as well as the transfer of certain investments to the Government.

During 2018, further to the receipt of directives from the Central Bank, CLICO continued to repay its liabilities to the Government, by cash as well as the transfer of certain investments to the Government. The Group was able to obtain some funds to pay towards this debt from the liquidation of CLICO Investment Bank (CIB).

Following a bidding process, on September 30, 2019, CLICO executed a sale and purchase agreement ("SPA") with the preferred bidder, Sagicor Life Inc. ("SAGICOR"), for the sale and transfer of the Group's traditional insurance portfolio ("the Portfolio"). The effective date of the transfer of the Portfolio is dependent on CLICO obtaining the required regulatory approvals from the Central Bank.

1. General Information (continued)

Further to the execution of the SPA with SAGICOR, an Application for Leave to make a claim for judicial review of the SPA was filed in November 2019 by a claimant against the Central Bank in respect of the bidding process.

In April 2020, the Central Bank was served with a Draft Order of the High Court whereby granted the claimant leave to file a claim for judicial review as well as an interim injunction was made prohibiting the Central Bank from taking any steps to provide regulatory approval or to otherwise progress or finalize the transfer of the Portfolio to SAGICOR pending the hearing and final determination of this matter or until further order be granted. Pending this determination progress on the SPA has ceased.

In May 2020, the Central Bank appealed the said High Court decision of the Court with respect to the granting of leave for the judicial review. In July 2020, the Court granted an interim injunction to allow the parties (including CLICO, SAGICOR and the Central Bank) to commence and conduct all appropriate due diligence applicable for discovery activities with respect to the sale and transfer of the traditional insurance portfolio to resume.

The Central Bank appealed the Order of the Court with respect to the granting of Leave for the Judicial Review and on February 17, 2021, the Court of Appeal dismissed the Central Bank's Appeal by a 2:1 majority. The Central Bank appealed the decision of the Court of Appeal.

On October 20, 2022, the Privy Council dismissed the Central Bank’s appeal against the decision of a High Court judge with respect to the granting of Leave for the Judicial Review.

The current status of the judicial review has now increased the uncertainty around the timeline for the matter to be concluded. Also, court procedures within Trinidad can prove to be an unpredictable process in terms of timelines. It has been noted that the Central Bank’s application for Leave for the Judicial Review, where there was no substantive hearing of the Judicial Review matter, took the Courts 20 months to be determined. The substantive case of the Judicial Review is now set to begin.

Effective December 1, 2022, the Central Bank terminated control of CLICO under Section 44G of the Central Bank Act.

1. General Information (continued)

Going concern

The Group continues to be cash flow positive and profitable on an operating recurring basis (after removing non-recurring and non-operating items) from its operation, existing insurance policies and portfolio of investments. Due to the nature of the policies historically underwritten, CLICO continues to achieve a high degree of matching between its valuable assets and its insurance and investment contract liabilities. Further, the Group has the ability to exercise its discretion in repaying its debt security obligations and has the ability to be able to meet all of its obligations as they fall due.

Subsequent to year end, CLICO is compliant with the Insurance (Capital Adequacy) regulations, 2020 and has exceeded the minimum Regulatory Capital Ratio and the minimum Net Tier Ratio.

In the meantime it has been determined that for the long-term future as an insurance company, CLICO needs to recommence the writing of new business, with all the requisite approvals from the Central Bank.

Given that the Group has the ability to continue as a going concern due to the strength of its assets and has no plans to cease operations despite the run-off of its ongoing policies in the next 18 months, the Directors have concluded that the financial statements should be prepared on a going concern basis.

The consolidated financial statements for December 31, 2022 were approved for issue on March, xx, 2023 by the Board of Directors of the Group.

2. Basis of Preparation

(a) Adoption of Standards

For Financial year ended December 31, 2020 CLICO implemented International Financial Reporting Standard (IFRS) 1 – First time adoption of IFRS standards. Prior to 2020 the Company did not prepare consolidated financial statements.

This standard outlines the requirements for the preparation and presentation of consolidated financial statements, requiring the entities to consolidate entities it controls.

These financial statements comprise of a full set of financial statements that includes a Statement of Financial Position, Statement of Profit and Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows all in accordance with IFRSs applicable from the year end 2020.

2. Basis of Preparation (continued)

(a) Adoption of Standards (continued)

IFRS 1 require the assessment of the below areas:

1. Reconciliations of equity reported under previous reporting to equity under IFRS both at the date of transition to IFRSs and the end of the last annual period reported.

2. Reconciliations of total comprehensive income for the last annual period reported under the previous standards to total comprehensive income under IFRSs for the same period.

3. Explanation of material adjustments that were made, in adopting IFRSs for the first time, to the statement of financial position, statement of comprehensive income and statement of cash flows.

4. Appropriate explanations if the entity has elected to apply any of the specific recognition and measurement exemptions permitted under IFRS 1.

As at the reporting date, a full retrospective application of all IFRS at the transition date and the entity's prior year was conducted and there were no necessary adjustments. The implementation of compliance with IFRS had no material impact on any of the financial statement in measurement or presentation.

The entity uses the same accounting policies throughout all periods presented in its first IFRS financial statements and all polices are in accordance with IFRS at the reporting date.

These accounts therefore carry no transition reconciliations for prior year reporting.

(b) Basis of accounting

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). They present fairly the financial position, financial performance and cash flow of the organisation. It is a faithful representation of the effects of transactions, other events and conditions in accordance with the definition and recognition criteria for assets, liabilities, income and expenses set out in the framework

2. Basis of Preparation (continued)

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for land and buildings held by CLICO, investment securities, investment properties, assets held for sale and insurance contracts which are all measured at fair value.

These consolidated financial statements have been prepared taking into account directives issued by the CBTT to the Group:

1. CLICO's traditional insurance portfolio will be transferred, for value, to an acquiring insurance Group.
2. CLICO would cease selling new business with limited exceptions from September 1, 2014.

(d) Functional and presentation currency

The consolidated financial statements are presented in Trinidad and Tobago dollars, which is the Group's functional currency. Except as otherwise indicated, financial information presented in Trinidad and Tobago dollars has been rounded to the nearest thousand.

(e) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual amounts may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty that have a significant risk of resulting in a material change to assets and liabilities in the next financial year, and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial consolidated statements are described in Note 4.

2. Basis of Preparation (continued)

(f) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

2. Basis of Preparation (continued)

(f) Basis of consolidation (continued)

(i) Subsidiaries (continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in statement of comprehensive income or as a change to other comprehensive income.

Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

(ii) Non-controlling interests

Non-controlling interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

2. Basis of Preparation (continued)

(f) Basis of consolidation (continued)

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. Significant Accounting Policies

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

(a) Foreign currency translation

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

However, foreign currency differences arising from the translation of investment in equity securities and subsidiaries designated at FVOCI except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss are recognised in OCI.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined.

(b) Property, plant and equipment

(i) Recognition and measurement

Land and buildings comprise mainly former agency locations and offices occupied by the Group. Some land and buildings are shown at fair value less subsequent depreciation for buildings while others are shown at cost less depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Valuations are made on the basis of current prices in an active market.

3. Significant Accounting Policies (continued)

(b) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

The cost of property, plant and equipment is their purchase price together with any incidental expenses necessary to bring the asset to its intended condition and location.

Artwork, which mainly comprised paintings commissioned for the Group's annual calendars, were valued in 2011 and that value was deemed to be at cost and included in property and equipment. Artwork is shown at deemed cost less depreciation over its useful life. Useful life is determined to be equivalent to that of the buildings on which they hang. All other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Management is of the opinion that this gives a fair indication of realisable value if these items were sold in an orderly sale.

(ii) Subsequent expenditure

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

Increases in the carrying amount on revaluation of land and buildings are recognised in other comprehensive income and accumulated in valuation reserves. Decreases that offset previous increases of the same asset are charged against those reserves; all other decreases are charged to profit or loss.

3. Significant Accounting Policies (continued)

(b) Property and equipment (continued)

(iii) Depreciation

Land, except those classified as right of use assets, is not depreciated. Depreciation on other assets is calculated to write off the cost of each asset to their residual values over their estimated useful life as follows:

	Method	Rate
Buildings	Straight line	16.7% to 2%
Plant and equipment	Straight line	33.3% to 2%
Site restoration costs	Straight line	5%
Artwork	Straight line	2%
Furniture, fixtures and office equipment	Reducing balance	10%-20%
Motor vehicles	Reducing balance	20%
Computer equipment		
- Mainframe	Reducing balance	20%
- Deferred software	Straight Line	25%
- Peripherals	Reducing balance	20%
Right of use assets		
Land	Straight line	11%
Site restoration costs	Straight line	5%

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

At the reporting date, the Group performs an assessment of the carrying amounts of property and equipment for indicators of impairment. If any such indication exists, then the asset`s recoverable amount is estimated. Where the carrying amount of an asset is greater that its estimated recoverable amount, it is written down to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts. These are included in profit or loss. When revalued assets are sold, the amounts included in the valuation reserve are transferred to accumulated surplus. The transfer is not made through profit or loss.

3. Significant Accounting Policies (continued)

(c) Investment properties

Properties that are not occupied by the Group and held for long-term rental yields and/or capital appreciation are classified as investment properties.

Investment properties, principally comprising office buildings, are carried at fair value and changes in fair value are recorded in profit or loss. Fair value is based on current prices in an active market for all properties. These valuations are done biennial or annually by independent professionally qualified appraisers and in intervening periods, if there are any changes in the economic environment, an assessment of the value is conducted.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of property and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in statement of changes in equity as a revaluation of property and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to accumulated surplus; the transfer is not made through profit or loss.

(d) Financial instruments

(i) Recognition

The Group recognises deposits with financial institutions and loans and borrowings on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue for a financial asset or financial liability not measured at Fair Value through Profit and Loss (FVTPL). Transaction costs on financial assets carried at fair value through profit or loss are expensed in the statement of profit or loss.

3. Significant Accounting Policies (continued)

(d) Financial instruments (continued)

(ii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and the sum of:

(i) the consideration received (including any new asset obtained less any new liability assumed); and

(ii) any cumulative gain or loss that had been recognized in other comprehensive income (OCI) is recognised in profit or loss.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment in an equity instrument.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred financial assets are not derecognised. Transfers of assets with retention of all or substantially all of the risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all of the risks and reward of ownership of a financial asset and it retains control of the financial asset, the Group continues to recognise the financial asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

3. Significant Accounting Policies (continued)

(d) Financial instruments (continued)

(iii) Classification

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition, unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contract terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are designated at FVTPL. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Group has made an irrevocable election at the time of initial recognition to account for equity investments at FVOCI.

3. Significant Accounting Policies (continued)

(d) Financial instruments (continued)

(iii) Classification (continued)

<u>Business model assessment</u>

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;

- how the performance of the portfolio is evaluated and reported to the Group's management; and

- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

Financial assets that are held for trading are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

<u>Assessment of whether contractual cash flows are solely payment of principal and interest.</u>

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In considering whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows.

3. Significant Accounting Policies (continued)

(d) Financial instruments (continued)

(iii) Classification (continued)

Business model assessment (continued)

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

(iv) Measurement

Financial instruments are measured initially at fair value, including any directly attributable transaction costs, except that for financial assets at fair value through profit or loss, transaction costs are included in profit or loss.

Financial assets

Subsequent to initial recognition all financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value, based on their quoted market price at the reporting date without any deduction for transaction costs.

'Fair value' is the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

3. Significant Accounting Policies (continued)

(d) Financial instruments (continued)

(iv) Measurement (continued)

Financial assets (continued)

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Financial assets at FVTPL	Measured at fair value. Net gains and losses, including any interest or dividend income and foreign exchange gains and losses, are recognised in profit and loss.
Debt investments at FVOCI	Measured at fair value. Interest income calculated using the effective interest rate method; foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in OCI and accumulated in the fair value reserve. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

3. Significant Accounting Policies (continued)

(d) Financial instruments (continued)

(v) Measurement (continued)

Financial assets (continued)

Equity investments at FVOCI	Measured at fair value. Dividends are recognised as income in profit or loss unless they clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.
Financial assets at amortised cost	Measured at amortised cost using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on decrecognition is also recognised in profit or loss.

Financial liabilities

All non-trading financial liabilities are measured at amortised cost.

(v) Fair values of financial assets and liabilities

The fair value of financial assets and financial liabilities is determined as follows:

i. The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

ii. The fair value of other financial assets and liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The consolidated financial statements include holdings in unquoted shares which are measured at fair value (Notes 9 and 10). Fair value is estimated using a discounted cash flow model, which includes some assumptions which are not supportable by observable market prices or rates. If the fair value of unquoted equities cannot be measured reliably, these financial assets are measured at cost, being the fair value of the consideration paid for the acquisition of the investment less impairment losses. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

3. Significant Accounting Policies (continued)

(d) Financial instruments (continued)

(vi) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

(vii) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Amortised cost is calculated on the effective interest rate method.

Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(viii) Designation at fair value through profit or loss

Management designates financial assets and financial liabilities at fair value through profit or loss when the assets or liabilities are managed and reported internally on a fair value basis, or the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(e) Impairment of financial assets

IFRS 9 with its forward-looking ‘expected credit loss’ (ECL) model is used for the impairment review of the Group’s financial assets. The impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI and lease receivables.

Trade receivables, which are short term in nature, are recognised initially at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

3. Significant Accounting Policies (continued)

(e) Impairment of financial assets (continued)

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income within 'selling and marketing expenses'.

ECL can be calculated as lifetime or twelve months ECL. Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECL is the portion of ECL that results from default events that are possible within the 12 months after the reporting date.

The Group recognises loss allowances for ECL on:

- Financial assets measured at amortised cost; and
- Debt investments measured at FVOCI;

The Group measures loss allowances at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised is a 12-month ECL:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments (other than lease receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

3. Significant Accounting Policies (continued)

(e) Impairment of financial assets (continued)

(i) Measurement of ECL

ECL is a probability-weighted estimate of credit losses and is measured as follows:

- *Financial assets that are not credit-impaired at the reporting date*: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive; and
- *Financial assets that are credit impaired at the reporting date*: the difference between the gross carrying amount and the present value of the estimated future cash flows.

The key inputs into the measurement of ECL are the term structures of the following variables:

Probability of default (PD) is an estimate of the likelihood of default over a given period of time. To determine lifetime and 12 month PDs, the Group uses the PD tables supplied by Standard and Poors (S&P) based on the default history of obligors with the same rating.

Loss given default (LGD) is the magnitude of the likely losses if there is a default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral.

Exposure at default (EAD) represents the expected exposure in the event of a default. The Group derives EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortization, and prepayments. The EAD of a financial asset is its gross carrying amount.

3. Significant Accounting Policies (continued)

(e) Impairment of financial assets (continued)

(ii) Credit impaired financial assets

At each reporting date, the Group assesses whether financial assets measured at amortised cost and debt investments at FVOCI are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as default or past-due event;
- The restructuring of an amount due to the Group on terms that the Group would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

A financial asset that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In assessing whether an investment in sovereign debt is credit impaired, the Group considers changes in the rating agencies' assessments of creditworthiness from the date of purchase.

(iii) Write off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

3. Significant Accounting Policies (continued)

(f) Impairment – non-financial assets

The carrying amounts of the Group's other assets, other than deferred tax assets and assets that are subject to amortisation, see accounting policy 3(e), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

(i) Calculation of recoverable amount

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Cash and cash equivalents

For the purpose of the cash flow statement, cash comprises cash in hand and deposits held at call with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risk of change in values and are held for meeting short-term cash commitments rather than for investment purposes.

These comprise investments in money market instruments and short-term deposits with original maturities of three months or less, net of bank overdrafts. Cash and cash equivalents are measured at amortised cost.

3. Significant Accounting Policies (continued)

(h) Intangible assets

Intangible assets consist of costs of acquisition and implementation of an information technology system (ERP) and other software. The costs are amortised over the estimated useful life, which is sixty months.

(i) Inventories

Stores and spares, including goods-in-transit are valued at the lower of cost and net realisable value. The cost of stores and spares is based on the weighted average cost basis and includes expenditure incurred in acquiring and bringing them to their existing location and condition. Provision is made where necessary for obsolete, slow moving and defective items.

Inventory of methanol is valued at the lower of cost and net realisable value. The cost of methanol is based on weighted average cost and includes cost of natural gas and other costs of production. Net realisable value is the price at which inventory can be sold in the normal course of business after allowing for the costs of realisation.

(j) Insurance and investment contracts – classification

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

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

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

(k) Insurance contracts

(1) Recognition and measurement

The Group issues insurance contracts that can be classified into two main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

Long-term insurance contracts

These contracts insure events associated with human life (for example death, or survival) over a long duration.

3. Significant Accounting Policies (continued)

(k) Insurance contracts (continued)

(1) Recognition and measurement (continued)

They include the following:

i. Ordinary Life contracts – These contracts provide for payment of a known sum in the event of the death of the policyholder. The main risk is the premature death of the policyholder. The Group takes on this risk by contracting to pay the sum assured on death in return for a premium.

ii. Critical Illness contracts – These contracts provide for payment of the sum insured upon diagnosis of one of the critical illnesses specified in the contract. The main risk is the premature diagnosis of the specific critical illness. The Group takes on the risk by contracting to pay the sum insured in return for a premium.

iii. Individual Annuity, Group Annuity and Flexible Premium Annuity (FPA) contracts – These include deferred or immediate annuity and FPA contracts. These contracts provide for payment of a regular income upon maturity of the contract in the case of deferred annuities and for immediate commencement of payments in the case of an immediate annuity. The main risk is the policyholder outliving the life expectancy adopted for underwriting the policies.

The Group takes on this risk by contracting to provide an income to the policyholder while alive in return for an insurance premium.

Long-term insurance premium income is accounted for in profit or loss on the accrual basis. Premiums are shown before the deduction of commissions. Benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that is expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the expected benefit payments and the future administration expenses that are directly related to the contract, less the discounted value of the expected future contractual premiums (if any). In order to determine the liability, assumptions deemed appropriate by the Actuary, are made in respect of mortality, persistency, maintenance expenses and investment income that may occur over the future lifetime of a contract. A margin for adverse deviations is included in the assumptions.

The liabilities are recalculated at each reporting date using the assumptions established at that date.

3. Significant Accounting Policies (continued)

(k) Insurance contracts (continued)

(1) Recognition and measurement (continued)

Short-term insurance contracts

These contracts are short-duration life insurance contracts that are issued to employers which insure against the consequences of the death of employees that would affect the ability of his/her dependants to maintain their current level of income. These contracts are renewable annually. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

Short-term insurance premiums are accounted for in profit or loss on the accrual basis. Premiums are shown before deduction of commission.

Benefits are recorded as an expense when they are incurred. Liabilities are estimated using the unearned premium approximation. This approximation is checked for reasonableness against the claims and expense experience of the group of contracts.

Provision for unearned premiums represents the proportions of short-term insurance premiums written in the year, which relate to periods of insurance subsequent to the reporting date and are computed on a pro-rata basis.

The provision for unexpired risks represents amounts set aside at the year-end, in addition to unearned premiums, in respect of subsequent risks to be borne by the Group under contracts of short-term insurance in force at the year-end.

(2) Liability adequacy test

The Group assesses at each reporting date whether the Group's recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts.

Current best estimates of future contractual cash flows, claims handling, administration expenses, as well as investment income from the assets backing such liabilities are all used to perform the annual actuarial valuation of the Group's long-term insurance liability. As such, no Consolidated liability adequacy test is required. Details of the assumptions adopted in this valuation are disclosed in Note 19.2.

3. Significant Accounting Policies (continued)

(k) Insurance contracts (continued)

(3) Outstanding claims

Claims outstanding comprise the estimated cost of claims incurred but not settled at the end of the year. The provision is determined using the best information available of claims settlement patterns, anticipated inflation and settlement of claims.

Differences between the estimated cost and subsequent settlement of claims are recognised in the year in which they are settled or in which the claims outstanding are re-estimated and such differences could be significantly different.

The provision for unearned premium represents the portion of premiums written relating to the periods of insurance coverage subsequent to the end of the year.

(4) Receivables and payables related to insurance contracts

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

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

(5) Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

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

3. Significant Accounting Policies (continued)

(k) Insurance contracts (continued)

(5) Reinsurance contracts held (continued)

The Group assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated using the same method used for these financial assets.

(l) Investment contracts

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Any contract not recognised as an insurance contract under IFRS 4 is classified as an investment contract. The Group's investment contracts are classified as deposit administration contracts, managed funds and Executive Flexible Premium Annuity (EFPA)/Group Advanced Protection (GAP)/Group Annuity Advanced Performance Policy (GAAPP) policies.

Deposit administration business

These are investment products issued by the Group to registered pension schemes and used for accumulating retirement benefits for employees of an entity. The funds are normally used to purchase immediate annuities for the employees upon retirement.

Deposit administration contributions are recorded directly as liabilities. Withdrawals are deducted directly from the liability.

The interest or investment return provided to contract holders is recorded as 'investment contract expenses'.

3. Significant Accounting Policies (continued)

(l) Investment contracts (continued)

Managed Funds business

The managed fund is a unitised fund which is sold to pension plans. The pension plans' funds as well as their subsequent net inflows/outflows of contributions, benefits and expenses are used to purchase/sell units in the managed fund. The proceeds from units purchased by the pension plans are invested in specific investments, which are pooled, and the pension plans bear the investment risk.
A valuation of the investment portfolio ascertaining the fair value of the assets and investment income earned is performed each month to determine the offer and bid prices of the units. The Group acts as a facilitator for the trading of units and can also be a holder of units at any valuation date. The units held by the Group are kept as a reserve, the value of which is Consolidated from the pension plans units and credited to shareholders' equity. Administration and investment management fees are charged to the pension plans for services provided by the Group.

EFPA/GAP/GAAPP policies

This is a flexible single premium accumulation annuity product. GAP policies are corporate owned EFPAs and GAAPP policies formed a new group of single premium deferred accumulation annuity policies introduced in 2008. Additional premiums attracted the prevailing interest rate at the time. The interest accruing to policyholders is recorded as an investment contract expense.

The Group discontinued the sale of these products in 2010.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve (12) months after the reporting date.

Preference shares, which are mandatorily redeemable, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as interest expense.

3. Significant Accounting Policies (continued)

(n) Taxation

For CLICO, corporation tax on long-term business (other than approved annuity business) is charged annually at 15% on investment income derived from the investment of the assets supporting policyholder liabilities less allowable investment expenses in relation thereto. The profits of approved annuity business are not chargeable to tax except to the extent that such profits are distributed to shareholders. Corporation tax is also due at the rate of 25% on profits of long-term insurance business and non-insurance business transferred to the account of shareholders and 30% on general insurance business.

For MHIL, the tax expense for the year comprises current and deferred taxation of the subsidiary. The current income tax charge is calculated on the basis of the tax laws enacted at the reporting date. At the reporting date the effective rate was 15%

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax is calculated on the basis of the tax rate that is expected to apply to the period when the asset is realised or the liability is settled. The effect on the deferred tax of any changes in the tax rate is charged to profit or loss, except to the extent that it relates to items previously charged or credited directly to OCI or equity, in which case the charge is made to OCI or equity as appropriate.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(o) Provisions

Provisions are recognised when the Group has 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 the amount has been reasonably estimated.

3. Significant Accounting Policies (continued)

(o) Provisions (continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required to settle the obligation is determined by considering the class of obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as 'finance costs' in the consolidated statement of comprehensive income.

(p) Revenue recognition

Revenue from contracts with customers

The Group recognises revenue from contracts with customers based on the five step model set out in IFRS 15.

Step 1: Identify the contracts with customers. A contract is an agreement between two or more parties that create enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify the performance obligations in the contract. A performance obligation is a unit of account and promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods and services to a customer excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligation in the contract. For a contract that has more than one performance obligation, the Group will allocate transaction price to each performance obligation that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The subsidiary of MHIL manufactures and sells methanol. Sales are recognised when control of the product has been transferred to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the product.

3. Significant Accounting Policies (continued)

(p) Revenue recognition (continued)

Revenue from contracts with customers (continued)

Revenue is recognised on a Freight on Board (FOB) basis i.e. when the bill of lading is generated for the shipment. The control of the product is transferred to the customer, when the customer has accepted the product in accordance with the sales contract. The acceptance provisions have lapsed, or the subsidiary has objective evidence that all criteria for acceptance have been satisfied. The revenue has not been disaggregated as all revenue is recognised at a point in time. Further, there is no element of financing deemed to be present.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because on the passage of time is required for payment.

The subsidiary of MHIL has incremental cost for obtaining a contract, in the form of a 4.5% marketing fee for each contract with the customer entered into through Helm AG. However since no contract exceeds one year, the subsidiary has used the practical expedient of recognizing the contract cost as an expense as and when incurred.

The insurance products revenue recognition is defined in IFRS 4 (see note 3(j) on premium income).

Fee income

The Group is the advisor, manager and distributor of the Colonial Life Family of Funds. Front-end fees are charged to the customers of the Core (Series VI) and Power (Series VI) Funds. These front-end fees are for a guarantee that the Group provides to the customer for principal and for a specific interest rate of return over a specified period of time. This fee is accounted for in the period in which the contract is made.

Fees arising from asset management and other investment related services are recognised in the accounting period in which the services are rendered.

(i) Interest

(a) Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

– the gross carrying amount of the financial asset; or
– the amortised cost of the financial liability.

3. Significant Accounting Policies (continued)

(p) Revenue recognition (continued)

Revenue from contracts with customers (continued)

(i) Interest (continued)

(a) Effective interest rate (continued)

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

(b) Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- interest on financial assets and financial liabilities measured at amortised cost; and
- interest on debt instruments measured at FVOCI.

Interest expense presented in the statement of profit or loss and OCI includes:

- financial liabilities measured at cost; and
- negative interest on financial assets; and
- interest expense on lease liabilities.

Cash flows related to capitalised interest are presented in the statement of cash flows consistently with interest cash flows that are not capitalised.

3. Significant Accounting Policies (continued)

(p) Revenue recognition (continued)

(ii) Investment income

Investment income comprises interest, dividends, rent and loan interest for the year, and realised profits and losses on sale of investments. Dividends are recognised when the rights to receive payment are established. Interest is recognised on a time proportion basis using the effective interest method.

(iii) Rental income

Rental income is recognised on the accrual basis.

(iv) Net trading income (income from investment securities at FVTPL)

'Net trading income' comprises gains less losses related to trading assets and liabilities, and includes all fair value changes, interest, dividends and foreign exchange differences.

(q) Expenses of management

Expenses of management are allocated directly to the individual funds where applicable. Other expenses not directly allocated are apportioned to the individual funds in the ratio of direct salary costs for the year.

(r) Leases

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset. This may be specified explicitly or implicitly, and should be physically distinct or
- represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

3. Significant Accounting Policies (continued)

(r) Leases (continued)

As a lessee (continued)

The Group mainly leases various office space, motor vehicles and equipment used in its operations. Rental contracts for these leases are typically made for fixed periods but may have extension options, which is described below. Some contracts contain lease and non-lease components, which are accounted for as consolidated components based on the stand-alone prices stated in the contracts. However, for the leases of property the Group has elected not to consolidated non-lease components and account for the lease and non-lease components as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

The Group applies a single recognition and measurement approach to all leases, except for short-term leases and leases of low-value assets.

At lease commencement date, the Group recognises a right-of-use asset and a lease liability in the statement of financial position.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

3. Significant Accounting Policies (continued)

(r) Leases (continued)

As a lessee (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made.

It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property and equipment' and lease liabilities on the face of the statement of financial position.

The Group presents right-of-use assets that meet the definition of investment property at fair value under IAS 40 as investment property.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3. Significant Accounting Policies (continued)

(r) Leases (continued)

As a lessor

The Group leases out its investment properties. The Group has classified these leases as finance leases and operating leases. Its operating leases are so classified because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Rental income arising is accounted for on a straight-line basis over the lease term and is included in other income in profit or loss.

When the Group acts as a finance lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'

When the Group acts as the intermediate lessor under a finance lease, the Group as a lessor recognises a finance lease receivable at an amount equal to its net investment in the lease, which comprises the present value of the lease payments and unguaranteed residual value accruing to the lessor.

(s) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell.

3. Significant Accounting Policies (continued)

(s) Assets held for sale (continued)

An impairment loss is recognized for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit or loss.

A gain or loss not previously recognized by the date of the sale of the noncurrent asset is recognized at the date of derecognition.

Once classified as held-for-sale, property and equipment are no longer amortised or depreciated. Interest and other expenses attributable to the liabilities directly associated with assets held for sale continue to be recognised.

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities directly associated with assets held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a Consolidated major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

An asset classified as an asset held for sale but the criteria for held for sale are no longer met, shall cease to classify as asset as held for sale.
A non-current asset that ceases to be classified as held for sale shall be measure at the lower of:

(a) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held for sale or as held for distribution to owners, and

(b) its recoverable amount at the date of the subsequent decision not to sell or distribute.

3. Significant Accounting Policies (continued)

(t) New, revised and amended standards interpretations that became effective during the year

Certain new and amended standards came into effect during the current financial year. The Group has assessed them and has adopted those which are relevant to its financial statements:

- Amendments to IAS 37 *Provision, Contingent Liabilities and Contingent Assets* is effective for annual periods beginning on or after January 1, 2022 and clarifies those costs that comprise the costs of fulfilling the contract.

  The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification will require entities that apply the 'incremental cost' approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

  The amendment had no significant impact on the Group's financial statements.

- Amendments to IAS 16 *Property, Plant and Equipment*, effective for annual periods beginning on or after January 1, 2022, will mainly affect extractive and petrochemical industries and include the following guidance.

  In the process of making an item of property, plant and equipment (PPE) available for its intended use, a Group may produce and sell items – e.g. minerals extracted in the process of constructing an underground mine or oil and gas from testing wells before starting production. It provides guidance on the accounting for such sale proceeds and the related production costs.

  Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 *Inventories* should be applied in identifying and measuring these production costs.

  Companies will therefore need to distinguish between, costs associated with producing and selling items before the item of PPE is available for use, and costs associated with making the item of PPE available for its intended use. Making this allocation of costs may require significant estimation and judgement. Companies in the extractive industry may need to monitor costs at a more granular level.

3. Significant Accounting Policies (continued)

(t) New, revised and amended standards interpretations that became effective during the year (continued)

- Amendments to IAS 16 *Property, Plant and Equipment* (continued)

  The amendments also clarify that testing whether an item of PPE is functioning properly means assessing its technical and physical performance rather than assessing its financial performance – e.g. assessing whether the PPE has achieved a certain level of operating margin.

  For the sale of items that are not part of a Group's ordinary activities, the amendments require the Group to; disclose separately the sales proceeds and related production cost recognised in profit or loss, and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

  The amendment had no significant impact on the Group's consolidated financial statements.

- Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS *9 Financial Instruments*, IFRS 16 *Leases*, IAS 41 *Agriculture*, and are effective for annual periods beginning on or after January 1, 2022.

  i. IFRS 9 *Financial Instruments* amendment clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  ii. IFRS 16 *Leases* amendment removes the illustration of payments from the lessor relating to leasehold improvements.

  iii. The amendments to IAS 41 *Agriculture* removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 *Fair Value Measurement*.

3. Significant Accounting Policies (continued)

(t) New, revised and amended standards interpretations that became effective during the year (continued)

- Annual Improvements to IFRS Standards 2018-2020 cycle (continued)

  iv. IFRS 1 *First-time Adoption of International Financial Reporting Standards* – this amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts IFRS Standards later than its parent and applies IFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRS Standards.

  These amendments had no significant impact on the Group's financial statement.

(u) New, revised and amended standards and interpretations not yet effective

At the date of authorisation of these financial statements, certain new and amended standards and interpretations have been issued which were not effective for the current year and which the Group has not early-adopted. The Group has assessed them with respect to its operations and has determined that the following are relevant:

- IFRS 17 *Insurance Contracts*, effective for annual reporting periods beginning on or after January 1, 2023 replaces IFRS 4 *Insurance Contracts* and provides three models to apply to all insurance contracts: the general model, the variable fee approach and the premium allocation approach.

Insurance Contracts (IFRS 17) & Financial Instruments (IFRS9)

Glossary of Acronyms			
CSM	Contractual Service Margin	LIC	Liabilities for Incurred Claims
ECL	Expected Credit Loss	LRC	Liabilities for Remaining Coverage
FVTOCI	Fair Value Through Other Comprehensive Income	PAA	Premium Allocation Approach
GMM	General Measurement Model	SPPI	Solely Payments of Principal and Interest

3. Significant Accounting Policies (continued)

(u) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 17 *Insurance Contracts* (continued)

  The Group will adopt IFRS 17 in conjunction with updates and Re-Classification and Measurement under IFRS 9 Financial instruments (“IFRS 9") on the required effective date of January 1, 2023, which replace IFRS 4 *Insurance Contracts* ("IFRS 4") initial Classification & Measurement for IFRS 9 undertaken in 2018, respectively. While IFRS 9 was effective for annual periods beginning on or after January 1, 2018, the move to IFRS 17 allows the Group to revisit the election for the assets to be recognized at Fair Value (with appropriate amortization or Impairment), FVTPL or FVOCI and liabilities whose effect of changes in discount rate on projected liabilities can be recognized through P&L or through OCI.

  IFRS 17 will be applied retrospectively as at January 1, 2022 to each group of insurance contracts, as a result comparative information will be restated. If full retrospective application is impracticable, the modified retrospective approach or the fair value approach could be applied. The Group will apply the fair value approach. The Group will recognize any IFRS 9 measurement differences by adjusting its balance sheet on January 1, 2023, as a result comparative information will not be restated.

  Implementation update

  The Group has finalized the determination of its accounting policies and continues its efforts towards documenting detailed requirements, testing and completion of implementation to allow for the comparative period re-runs under the newly designed business processes. The Group has finalized the development, testing, and implementation of the new technology solutions that will enable it to meet the requirements of the standards. In addition, the Group is finalizing its IFRS 17 opening balance sheet as at January 1, 2022, and is progressing with the restatement of its 2022 quarterly financial statements based on the testing noted above.

3. Significant Accounting Policies (continued)

(u) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 17 *Insurance Contracts* (continued)

A. Estimate impact of the Adoption of IFRS 17

CLICO also continues to refine and enhance its IFRS 17 reporting and disclosure processes. Based on the experience and the assessments conducted to date, CLICO is not–in a position to fully quantify the IFRS 17 insurance contract liabilities–compared to the current IFRS 4 insurance contract liabilities on transition date.–CLICO will state more detailed comparative information upon the finalization of its IFRS 17 policy papers (see (B)(ix) and CBTT regulatory requirements in 2023 as the figures are re-run
As a result, the assessment above is based on policy decisions that have not been completely finalised. The actual quantitative impact of adopting IFRS 17 on January 1, 2023 may change because:

- CLICO may refine its IFRS 17 reporting process and policy decisions based, new insurance and capital regulations to be published by the regulator.

  The implementation of the IFRS 17 standard involves significant enhancements to IT, actuarial and finance systems of CLICO. The Group has an entity-wide implementation programme to implement IFRS 17. The programme is responsible for setting accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing appropriate data and implementing actuarial and finance system changes.

- CLICO is continuing to refine the new accounting processes and internal controls required for applying IFRS 17;

- the new accounting policies, assumptions, decisions and estimation techniques employed are subject to change until CLICO finalises its first financial statements that include the date of initial application; and

An entity-wide IFRS 17 Working Group, chaired by the Chief Financial Officer and includes the key Finance managers, provides oversight and strategic direction to the implementation programme. A number of sub-committees are also in place to provide governance over the technical interpretation and accounting policies selected, design and delivery of the programme.

During 2022, CLICO finalised its technical positions, submitted its positions for auditor review and commenced the building and testing of new IT, actuarial and finance systems.

3. Significant Accounting Policies (continued)

(u) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 17 *Insurance Contracts* (continued)

B. IFRS 17 Insurance Contracts

Below are key IFRS 17 policy discussions:

i. Identifying contracts in the scope of IFRS 17

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of CLICO's insurance contracts issued and reinsurance contracts held.

For insurance contract issued and reinsurance contract held, CLICO will continue to treat all individual life and annuities, as well as group life, creditor and health as insurance contracts given these contracts transfer significant insurance risk.

Group Pension (Managed Fund and Deposit Administration) and EFPA contracts that transfer financial risk will continue to be classified as investment contracts under the scope of IFRS 9.

When identifying contracts in the scope of IFRS 17, CLICO had to assess whether a set or series of contracts needs to be treated as a single contract and whether embedded derivatives, investment components and goods and services components had to be separated and accounted for under another standard.

ii. Level of aggregation

Under IFRS 17, insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in different product lines or issued by the Group are expected to be in different portfolios. Each portfolio is then divided into annual cohorts (i.e. by year of issue) and each annual cohort into groups:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

The level of aggregation requirements of IFRS 17 limit the offsetting of gains on groups of profitable contracts, which are generally deferred as a CSM, against losses on groups of onerous contracts, which are recognised immediately (see (v) and (vi)).

3. Significant Accounting Policies (continued)

(u) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 17 *Insurance Contracts* (continued)

iii. Contract boundaries

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group.

Compared with the current accounting, certain contracts under IFRS 17 contract boundary requirements may change the scope of cash flows to be included in the measurement of existing recognised contracts, as opposed to future unrecognised contracts. The period covered by the premiums within the contract boundary is the 'coverage period', which is relevant when applying a number of requirements in IFRS 17.

Insurance contracts

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and investment services). A substantive obligation to provide services ends when:

- CLICO has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- CLICO has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

Reinsurance contracts

For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which CLICO is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

Some of the Group's quota share reinsurance treaties cover underlying contracts issued within the annual term on a risk-attaching basis and provide unilateral rights to both the Group and the reinsurer to terminate the attachment of new underlying contracts at any time by giving three months' notice to the other party.

3. Significant Accounting Policies (continued)

(u) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 17 *Insurance Contracts* (continued)

iv. Measurement – Overview

IFRS 17 introduces a measurement model based on the estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM. For an explanation of how CLICO will apply the measurement model, see (v). Contracts are subject to different requirements depending on whether they are classified as direct participating contracts or contracts without direct participation features.

All insurance contracts and all reinsurance contracts are expected to be classified as contracts without direct participation features, that is, the Group does not expect to apply the Variable Fee Approach (VFA) to any of its insurance contracts issued or reinsurance contracts held.

Premium Allocation Approach (PAA)

The Premium Allocation Approach (PAA) is an optional simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria. PAA will be used for reinsurance agreement covering Group business where the contract boundary of the reinsurance agreement is less than one year. For an explanation of how CLICO will apply the PAA methodology, see (vi).

CLICO expects that it will apply the PAA to all contracts in the Group Life, Creditor and Health segment because the following criteria are expected to be met at inception.

- The coverage period of each contract in the group is one year or less.
- The Group reasonably expects that the resulting measurement of the liability for remaining coverage would not differ materially from the result of applying the accounting policies described above.

3. Significant Accounting Policies (continued)

(u) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 17 *Insurance Contracts* (continued)

v. Measurement – Life contracts

Insurance contracts

On initial recognition, the Group will measure a group of contracts as the total of (a) the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM. The fulfilment cash flows of a group of contracts do not reflect CLICO's non-performance risk.

The CSM of a group of contracts represents the unearned profit that CLICO will recognise as it provides services under those contracts. On initial recognition of a group of contracts, the group is not onerous if the total of the following is a net inflow:

(a) the fulfilment cash flows;
(b) any cash flows arising at that date; and
(c) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows; see below).

In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition. If the total is a net outflow, then the group is onerous and the net outflow is generally recognised as a loss in profit or loss; a loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue (see (viii)).

3. Significant Accounting Policies (continued)

(u) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 17 *Insurance Contracts* (continued)

v. Measurement – Life contracts (continued)

Subsequently, the carrying amount of a group of contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The fulfilment cash flows of groups of contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows.

Changes relating to future services	Adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous)
Changes relating to current or past services	Recognised in the insurance service result in profit or loss
Effects of the time value of money, financial risk and changes therein on estimated future cash flows	Recognised as insurance finance income or expenses

The CSM is adjusted subsequently only for changes in fulfilment cash flows that relate to future services and other specified amounts and is recognised in profit or loss as services are provided. The CSM at each reporting date represents the profit in the group of contracts that has not yet been recognised in profit or loss because it relates to future service.

Reinsurance contracts

Reinsurance contracts are entered into to cover CLICO's Individual and Group Life, Group Creditor and Group Health products.

3. Significant Accounting Policies (continued)

(u) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 17 *Insurance Contracts* (continued)

v. Measurement – Life contracts (continued)

The carrying amount of a group of reinsurance contracts at each reporting date is the sum of the reinsurance contract held asset/liability for remaining coverage and the reinsurance contract held asset/liability for incurred claims. The reinsurance contract held risk adjustment for non-financial risk will represent the amount of risk being transferred by the Group to the reinsurer.

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Under IFRS 17, for Life contracts, insurance acquisition cash flows are allocated to groups of contracts using systematic and rational methods based on the total premiums for each group.

Insurance acquisition cash flows do not materially impact the measurement of Liability for Remaining Coverage and the Group has elected to immediately recognize insurance acquisition expense in P&L as they are incurred.

vi. Measurement – Group Life, Health and Creditor Life contracts

On initial recognition of each group of Group Life, Health and Creditor Life insurance contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition. CLICO will elect to recognise insurance acquisition cash flows as expenses when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any further premiums received and decreased by the amount recognised as insurance revenue for services provided. CLICO expects that the time between providing each part of the services and the related premium due date will be no more than a year. Accordingly, as permitted under IFRS 17, CLICO will not adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

3. Significant Accounting Policies (continued)

(u) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 17 *Insurance Contracts* (continued)

vi. Measurement – Group Life, Health and Creditor Life contracts (continued)

Estimates of future cash flows

In estimating future cash flows, the Group will incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows will reflect CLICO's view of past experience and current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, CLICO will take into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts will not be taken into account until the change in legislation is substantively enacted.

Discount rates

For groups of insurance contracts measured under the General Model approach (GMM): most of CLICO's cash flows do not vary based on returns of any underlying items. Therefore, the discount rates will purely reflect the characteristics of insurance contracts and be delinked from the underlying assets.

For groups of insurance contracts measured under the Premium Allocation approach (PAA): the coverage period is less than one year. It is not subject to significant time value of money. Therefore, CLICO will not apply discount rate to contracts measured under the PAA

Discount rates for reinsurance contracts held will be discounted using the same discount rates compared to direct insurance contracts.

The locked-in discount rate determined at transition date or initial recognition will be used for interest accretion calculation on the CSM as required by the standard.

3. Significant Accounting Policies (continued)

(u) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 17 *Insurance Contracts* (continued)

vi. Measurement – Group Life, Health and Creditor Life contracts (continued)

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk will be determined to reflect the compensation that CLICO would require for bearing non-financial risk and its degree of risk aversion. The Group will disclose the range of confidence level that the risk adjustment fall within in future disclosures, as required by the standard.

Contractual Service Margin (CSM)

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year, by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units will be reviewed and updated at each reporting date for each IFRS 17 Group.

vii. Presentation and disclosure

IFRS 17 will significantly change how insurance contracts and reinsurance contracts are presented and disclosed in financial statements.

Under IFRS 17, portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances such as insurance receivables and payables and policyholder loans will no longer be presented separately. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) will also be presented in the same line item as the related portfolios of contracts.

3. Significant Accounting Policies (continued)

(u) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 17 *Insurance Contracts* (continued)

vi. Presentation and disclosure (continued)

Under IFRS 17, amounts recognised in the statement of profit or loss and OCI are disaggregated into

(a) an insurance service result, comprising insurance revenue and insurance service expenses; and

(b) insurance finance income or expenses. Amounts from reinsurance contracts will be presented separately.

The separate presentation of underwriting and financial results under IFRS 17 and IFRS 9 will provide added transparency about the sources of profits and quality of earnings.

Insurance service result

For contracts measured using the general measurement model (GMM), insurance revenue for each year represents the changes in the liabilities for remaining coverage that relate to services for which CLICO expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows.

For contracts measured using the PAA, insurance revenue is recognised based on an allocation of expected premium receipts to each period of coverage, which is based on the expected timing of incurred insurance service expenses for certain property contracts and the passage of time for other contracts.

Expenses that related directly to the fulfilment of contracts will be recognised in profit or loss as insurance service expenses, generally when they are incurred. Expenses that do not relate directly to the fulfilment of contracts will be presented outside the insurance service result.

Amounts recovered from reinsurers and reinsurance expenses will no longer be presented separately in profit or loss, because CLICO will present them on a net basis as ‘net expenses from reinsurance contracts’ in the insurance service result, but information about these will be included in the disclosures.

3. Significant Accounting Policies (continued)

(u) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 17 *Insurance Contracts* (continued)

vii. Presentation and disclosure (continued)

Insurance finance income and expenses

Under IFRS 17, changes in the carrying amounts of groups of contracts arising from the effects of the time value of money, financial risk and changes therein are generally presented as insurance finance income or expenses. They include changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

Disclosure

IFRS 17 requires extensive new disclosures about amounts recognised in the financial statements, including detailed reconciliations of contracts, effects of newly recognised contracts and information on the expected CSM emergence pattern, as well as disclosures about significant judgements made when applying IFRS 17. There will also be expanded disclosures about the nature and extent of risks from insurance contracts and reinsurance contracts. Disclosures will generally be made at a more granular level than under IFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements.

viii. Transition

Per the Standard, changes in accounting policies resulting from the adoption of IFRS 17 will be applied using a full retrospective approach to the extent practicable. CLICO considers the full retrospective approach impracticable given the historical information required is unavailable due to system migrations, data retention requirements and changes in key management team. Such information includes for certain contracts:

- expectations about a contract’s profitability and risks of becoming onerous required for identifying groups of contracts; As the traditional Life insurance portfolio has been closed to new business for over 6 years, knowledge of pricing assumptions and discount rates assumed on pricing are not available

3. Significant Accounting Policies (continued)

(u) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 17 *Insurance Contracts* (continued)

viii. Transition (continued)

- information about historical cash flows (including insurance acquisition cash flows and other cash flows incurred before the recognition of the related contracts) and discount rates required for determining the estimates of cash flows on initial recognition and subsequent changes on a retrospective basis; and

- information about certain changes in assumptions and estimates without being influenced by hindsight, because they were not documented on an ongoing basis.

CLICO expects to use the Fair Value approach for determining the CSM (or the loss component) at the transition date.

Fair value is defined as 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. Under the fair value approach, the CSM (or the loss component) at January 1 2022 will be determined as the difference between the fair value of the insurance contracts at that date and the fulfilment cash flows at that date.

The cash flows considered in the fair value measurement will be consistent with those that are within the contract boundary (see (iii)). The present value of the future cash flows considered in measuring fair value will be broadly consistent with that determined in measuring the fulfilment cash flows.

The Group's assessment of the impact of Amendments to IFRS 17 *Insurance Contracts*, is ongoing.

3. Significant Accounting Policies (continued)

(u) New, revised and amended standards and interpretations not yet effective (continued)

- Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after 1 January 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

  Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A Group classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the Group complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

  With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a Group classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the Group's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that a Group can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

  The Group does not expect the amendment to have a significant impact on its financial statements.

3. Significant Accounting Policies (continued)

(u) New, revised and amended standards and interpretations not yet effective (continued)

- Amendments to IAS 1 *Presentation of Financial Statements* are effective for annual periods beginning on or after January 1, 2023 and may be applied earlier. The amendments help companies provide useful accounting policy disclosures.

  The key amendments to IAS 1 include:

  – requiring companies to disclose their *material* accounting policies rather than their *significant* accounting policies;
  – clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a Group's financial statements.

  The amendments are consistent with the refined definition of material:

  "Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements".

  The Group is assessing the impact that the amendment will have on its financial statements.

- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* are effective for periods beginning on or after January 1, 2023, with early adoption permitted. The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

  The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a Group develops an accounting estimate to achieve the objective set out by an accounting policy.

3. Significant Accounting Policies (continued)

(u) New, revised and amended standards and interpretations not yet effective (continued)

- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (continued)

  Developing an accounting estimate includes both:

  – selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 *Financial Instruments*; and
  – choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

  The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

  The Group is assessing the impact that the amendment will have on its financial statements.

- Amendments to IAS 12 *Income Taxes* are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

  The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

  For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a Group previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

  For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

  The Group is assessing the impact that the amendment will have on its financial statements.

3. Significant Accounting Policies (continued)

(u) New, revised and amended standards and interpretations not yet effective (continued)

- Initial application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17) are effective for annual reporting periods beginning on or after January 1, 2023. The classification overlay will apply to all financial assets regardless of whether they are, or were, held in respect of insurance activities. This means that an insurer can choose to apply this approach to all financial assets on an instrument-by-instrument basis.

  The eligibility for the classification overlay approach has been expended to those insurers that have adopted IFRS 9 before adopting IFRS 17. This would allow them to reduce any accounting mismatches relating to financial assets that are derecognized in the comparative period.

  An insurer would not be required to apply the new impairment requirements in IFRS 9 when applying the overlay approach. If an insurer does not apply the IFRS 9 impairment requirements under the overlay approach, then it would not be required to restate the impairment of financial assets as previously reported under IAS 39 *Financial Instruments: Recognition and Measurement* simply to present comparative information.

  The Group is assessing the impact that the amendment will have on its financial statements.

- Classification of liabilities as current or non-current (Amendments to IAS 1) are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted and is to be applied retrospectively. A Group will classify a liability as non-current if it has a right to defer settlement for at least 12 months after the reporting date. This right may be subject to a Group complying with conditions (covenants) specified in a loan arrangement.

  Covenants with which the Group must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable with 12 months after the reporting date.

  The amendments also clarify how a Group classifies a liability that can be settled in its own shares – e.g. convertible debt.

  The Group is assessing the impact that the amendment will have on its financial statements.

3. Significant Accounting Policies (continued)

(u) New, revised and amended standards and interpretations not yet effective (continued)

- Lease liability in a sale and leaseback (Amendments to IFRS 16) are effective for annual reporting periods beginning on or after January 1, 2024 with early application permitted. The amendment confirms that (i) on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction; and (ii) after initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains

  A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

  The Group is assessing the impact that the amendment will have on its financial statements.

4. Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Group, at each reporting date, makes estimates and assumptions about the future, that have a significant risk of a material adjustment to the carrying amounts of assets and liabilities in the next financial year. Estimates and underlying judgments are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

4.1 Estimate of future benefit payments and premiums arising from long-term insurance contracts

Actuarial liabilities include two major components: a best estimate reserve and a provision for adverse deviations. This latter provision is established in recognition of the uncertainty in computing best estimate reserves, to allow for possible deterioration in experience and to provide greater comfort that reserves are adequate to pay future benefits.

For the respective reserves, assumptions for mortality and morbidity, lapse, future investment yields, operating expenses and taxes, best estimate assumptions are determined where appropriate for each major product line.

Provisions for adverse deviations are established based on the risk profiles of the business. They are determined within a specific range guided by the Canadian Standards of Practice.

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

4.1 Estimate of future benefit payments and premiums arising from long-term insurance contracts (continued)

The reserve assumption for each component of policy cash flow consists of an assumption for the expected experience and, separately, a margin for adverse deviation that reflects the degree of uncertainty in the expected experience assumption. The expected experience and the margin reflect the latest current experiences.

Detailed analyses are carried out by the CLICO's Actuarial Department in conjunction with the CLICO's Consulting Actuary to determine the best-estimate assumptions.

CLICO's best-estimate mortality assumption is based on industry experience, and adjusted with the CLICO's own experience. The assumed mortality rates for life insurance contracts do not reflect any future mortality improvement. For contracts that insure the risk of longevity (annuity contracts), appropriate but not excessively prudent allowance is made for expected mortality improvements.

The main source of uncertainty is that COVID-19, which was officially deemed a pandemic by the World Health Organization (WHO) on March 11, 2020, would have a significant impact on its insured population. Over 90% of CLICO's actuarial reserves consists of deferred and payout annuities where higher mortality is favourable for the aggregate business. As part of the COVID-19 stress testing, mortality rates were increased by 20% for all lines of business for 2021 and 2022, this resulted in a reserve release of $12,100. CLICO has also been tracking deaths reported on its smaller Ordinary Life business. Thus far 48 reported deaths in this portfolio were due to COVID-19 in 2022.

Other factors considered include epidemics such as AIDS and wide-ranging lifestyle changes, such as eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the ages in which CLICO has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where CLICO is exposed to longevity risk.

Morbidity refers to the claims experience of the critical illness products. The best-estimate assumption is based on industry experience only.

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

4.1 Estimate of future benefit payments and premiums arising from long-term insurance contracts (continued)

Lapse and expenses studies were performed to determine the best-estimate lapse and per policy future administrative expense assumptions. However, for certain annuity products, estimates of future lapses were not made based on historical experiences.

Under certain contracts, CLICO has offered guaranteed annuity options. Under the current conditions, this option is "in the money". The Actuary has included extra reserves for this option.

The process used to decide on the key actuarial assumptions and the sensitivity of the liability to changes in these assumptions is illustrated in Note 17 to these financial statements.

The estimation of incidents incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than the estimation costs of settling claims already notified CLICO, where information about the claim event is available. IBNR claims may not be apparent to the insurer until many years after the event that gave rise to the claim has happened.

The CLICOs practice is to record in the accounts of a financial year claims incurred in that year and reported within the first four to six weeks of the following year. The IBNR was established for the individual policies and group policies based on claims reporting lag experience of the past five years.

4.2 Impairment of Financial assets

IFRS 9 is a forward-looking 'expected credit loss' (ECL) model. The impairment model applies to financial assets measured at amortised cost, debt investments at FVOCI and lease receivables.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs. Judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk
- The estimation of the amount and timing of future cash flows and collateral values
- The inclusion of overlay adjustments based on judgement and future expectations.

Further details on assets identified as impaired and the respective impairment losses incurred are disclosed in Notes 5.3.1 to these financial statements.

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

4.3 Fair value of financial and non-financial assets (continued)

The Group's accounting policy on fair value measurements is set out in Notes 3(b), (c) and (e).

The Group places the fair values that it measures in 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 asset.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes assets valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar assets in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all assets where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the assets.

Fair values of assets and liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other assets the Group determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. These valuation techniques rely on certain assumptions and inputs, and therefore uncertainty is inherent in the fair value estimated. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have an orderly disposal of assets.

Valuation Framework

The Group has an established control framework for the measurement of fair values. This framework includes the Board Committees which report to the Board of Directors, and have an overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements.

(Expressed in thousands of Trinidad and Tobago dollars)

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

4.3 Fair value of financial and non-financial assets (continued)

Valuation Framework (continued)

Specific controls include:

- verification of observable pricing;
- review of the performance of model valuations;
- a review and approval process for contracting external valuation specialists;
- analysis and investigation of significant monthly valuation movements; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with prior year.

The Group also uses prices readily available on the relevant stock exchanges or broker information.

Significant valuation issues are reported to the Board Audit and Risk Committee.

The table below analyses financial and financial assets measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Notes	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000
December 31, 2022					
Land and buildings	6	-	4,500	70,357	74,857
Investment properties	7	-	72,840	106,900	179,740
Investment securities	10	368,972	8,251,012	1,954	8,621,938
Assets held for sale	14	-	-	58,000	58,000
December 31, 2021					
Land and buildings	6	-	30,900	44,117	75,017
Investment properties	7	-	89,400	139,000	228,400
Investment securities	10	384,121	1,381,605	1,954	1,767,680
Assets held for sale	14	-	6,933,815	248,935	7,182,750

(Expressed in thousands of Trinidad and Tobago dollars)

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

4.3 Fair value of financial and non-financial assets (continued)

Level 2 fair value measurements

Investment securities, investment properties, land and buildings and assets held for sale are valued using market data obtained from external, independent sources. This includes quoted prices for similar assets in active markets, prices for identical or similar assets in inactive markets.

There has been no change in the valuation techniques used for these assets.

Level 3 fair value measurements

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	Land and Buildings $'000	Investment Properties $'000	Assets Held for Sale $'000	Investment Securities (unquoted equities) $'000
December 31, 2022				
Balance at January 1	44,117	139,000	248,935	1,954
Additions/ transfers	25,657	(7,440)	(176,294)	-
Disposals/loss	-	(24,000)	(11,750)	-
Fair value gains (loss)	583	(660)	(2,891)	-
Balance at December 31	70,357	106,900	58,000	1,954

(Expressed in thousands of Trinidad and Tobago dollars)

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

4.3 Fair value of financial and non-financial assets (continued)

Level 3 fair value measurements (continued)

	Land and Buildings $'000	Assets Investment Properties $'000	Investment Held for Sale $'000	Securities (unquoted equities) $'000
December 31, 2021				
Balance at January 1	35,483	301,550	243,248	1,954
Additions/ transfers	9,265	(86,600)	-	-
Disposals/loss	-	(68,150)	-	-
Fair value gains (loss)	(631)	(7,800)	5,687	-
Balance at December 31	44,117	139,000	248,935	1,954

Total gains for the year in the above table are presented in the other comprehensive income as follows:

	Land and Buildings $'000	Investment Securities (unquoted equities) $'000
2022		
Total (loss) gain recognised:		
(Loss) gain	583	-

	Land and Buildings $'000	Investment Securities (unquoted equities) $'000
2021		
Total (loss) gain recognised:		
(Loss) gain	(631)	-

(Expressed in thousands of Trinidad and Tobago dollars)

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

4.3 Fair value of financial and non-financial assets (continued)

Level 3 fair value measurements (continued)

Fair Value estimation of financial instruments not measured at fair value

The table below shows the financial assets and liabilities not measured at fair value and analyses them by the level in the fair value hierarchy into which the fair value measurement is categorized. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Financial instruments not measured at fair value

	Notes	Level 1	Level 2	Level 3	Total Carrying Values
		$'000	$'000	$'000	$'000
December 31, 2022					
Assets					
Loans, leases and other receivables	12	-	-	909,520	909,520
Bank and short-term deposits	14	-	67,415	826,900	894,315
Liabilities					
Investment contracts	20	-	-	1,344,467	1,344,467
Mutual funds	21	-	-	7,012	7,012
Due to related parties	23	-	-	128,893	128,893
Loans and borrowings	22	-	-	1,271,169	1,271,169
Provision for site restoration	25	-	-	351,890	351,890
End of service benefits	24	-	-	22,119	22,119
Accounts payable	26	-	-	595,577	595,577

(Expressed in thousands of Trinidad and Tobago dollars)

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

4.3 Fair value of financial and non-financial assets (continued)

Financial instruments not measured at fair value (continued)

	Notes	Level 1	Level 2	Level 3	Total Carrying Values
		$'000	$'000	$'000	$'000
December 31, 2021					
Assets					
Loans, leases and other receivables	12	-	-	869,188	869,188
Bank and short-term deposits	14	-	127,869	765,029	892,898
Liabilities					
Investment contracts	20	-	-	146,939	146,939
Mutual funds obligations	21	-	-	42,661	42,661
Due to related parties	23	-	-	129,389	129,389
Loans and borrowings	22	-	-	1,578,081	1,578,081
Provision for site restoration	25	-	-	336,157	336,157
End of service benefits	24	-	-	19,726	19,726
Accounts payable	26	-	-	433,675	433,675
Liabilities directly associated with assets held for sale – Investment contracts	15	-	-	1,224,926	1,224,926

The carrying value approximates to fair value due to its highly liquid nature and the fact that it is readily converted and is subject to insignificant risk of change in value. There were no transfers between levels within 2022.

4.4 Financial asset and liability classification

The Group's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as trading, the Group has determined that it meets the description of trading assets and liabilities set out in Note 3(e).
- In designating financial assets or liabilities at fair value through profit or loss, the Group has determined that it has met one of the criteria for this classification set out in Note 3(e).

4.5 Site restoration

Obligation

The subsidiary Oman Methanol Company LLC has a constructive obligation to restore the plant site at the end of the project life. The sub-usufruct contract dated 12 December 2004 between OMC and Sohar Industrial Port Company (SIPC) states that upon the expiry of the sub-usufruct term, SIPC would have the option either to repossess the land against appropriate compensation or to extend the term for a period to be determined by mutual agreement.

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

4.5 Site restoration (continued)

Estimate

However on a prudent basis, effective 2007 a provision was made for site restoration costs of the subsidiary's plant site at Sohar Industrial area. The provision is determined by using a discounted cash flow basis at a rate of 5% to ensure that by the year 2027 this amount will be equal to the costs estimated to restore the land to its original form. The asset is depreciated in accordance with IAS 16 – Property, plant and equipment.

4.6 Impairment of property, plant and equipment

The group determines whether its property, plant and equipment are impaired when there are indicators of impairment as defined in IAS 36, *Impairment of Assets.*

4.7 Impairment of inventories

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision for inventory obsolescence is based on management's assessment of various factors such as usability, the maintenance programmes, and normal wear and tear using its best available estimates.

4.8 Assets held for sale and discontinued operations

The Company's accounting policy states that the following conditions must be met for an asset to be classified as held for sale:

- Management is committed to a plan to sell;
- The asset is available for immediate sale;
- The sale is highly probable, within 12 months of classifications as assets held for sale; and
- Actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn.

Management determines if the last two items above are not met or will not be met then assets or disposal group cannot be classified as held for sale.

5. Insurance and Financial Risk Management

Introduction and overview

The Group has exposure to the following risks from the use of financial instruments and the issuing of insurance and investment contracts:

i. Insurance risk
ii. Credit risk
iii. Liquidity risk
iv. Market risk
v. Operational risk
vi. Capital management

This Note presents information about the Group's exposure to each of the above-stated risks and its objectives, policies and processes for measuring and managing risk.

5.1 Risk management framework

As described in Note 1, the Central Bank intervened in the operations of the Group and as a consequence the Central Bank controls the Group through the Board of Directors and an oversight committee.

CLICO's Board of Directors (the Board) has overall responsibility for the establishment and oversight of the Group's Risk Management Framework. Apart from the Board establishing various Board Committees to have more direct oversight of risks within the Group, the Board has ensured the establishment of an Enterprise Risk Management System, an ERM Risk Council and Management Committees to ensure the continuous management of risks.

(a) The Board Finance, Investment and Resolution Committee is charged with the direct oversight of investments and financial risks and the internal control framework for managing these risks.

(b) The Board Audit Committee is responsible for assisting the board of directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting, the internal audit process, the Group's process for monitoring compliance with laws and regulations and the code of conduct.

(c) The Board Governance and Risk Committee has direct oversight over the Group's Enterprise Risk Management System, Internal Control Framework and increased oversight over the Group's Governance

(d) The Board established an Insurance Integrity and Risk Management Committee to appropriately manage insurance operations risks, under the direct oversight of the Board Operations & Assets Recovery Committee.

5. Insurance and Financial Risk Management (continued)

5.1 Risk management framework (continued)

(e) The day to day management of risk is executed by the Group's management team and day to day operational risks are managed by department managers whereas for more significant transactions Board approval is sought for risk mitigating measures and controls.

(f) The Board continues to have oversight of the Enterprise Risk Management (ERM) System and ERM Risk Council. The ERM Risk Council comprises Senior Management who, collectively and severally, are responsible for the identification, assessment and management of the organization's risks

(g) CLICO continues to assess it Risk Categories to ensure all risks are considered within its Risk Management Framework; these categories are:- Strategic Risks; Compliance Risks; Credit Risk; Insurance Risk; Market and Investment Risk; Liquidity Risk; Operational Risk; Financial Risks; Hazard Risks; Governance Risks.

(h) In addition, CLICO's Risk Tolerance Levels, Risk Categories, Internal Control Framework and Internal Audit's Corporate Risk Assessments are also reviewed and assessed annually as integral elements of the Group's Risk Management Framework.

CLICO's ERM is a continuous process whereby risks will be continuously reviewed and assessed by Management to ensure that risks are effectively managed at varying levels and within specific contexts and risk appetite of CLICO. It also provides assurance that all levels of management and employees are focusing their efforts on the most important issues facing the Group, and leveraging their knowledge of risks.

5.2 Insurance risk

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

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities.

This could occur because the frequency of claims and benefits is greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

5. Insurance and Financial Risk Management (continued)

5.2 Insurance risk (continued)

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

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

5.2.1 Objectives in managing insurance contract risks and mitigation policies and concentration of insurance risks

(a) Objectives of risk management

The Group is in the business of accepting risks by issuing insurance contracts for commensurate returns to the shareholders. Effective management of these risks is critical to meeting the expectations of shareholders, policyholders and regulators.

The objectives of the Group's risk management activities are to: (i) maintain a desirable overall risk profile, (ii) maintain strength in fulfilling contractual obligations to policyholders, and (iii) protect capital and add value to shareholders.

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.2 Insurance risk (continued)

5.2.1 Objectives in managing insurance contract risks and mitigation policies and concentration of insurance risks (continued)

(b) Objectives of risk management

(b) (i) Concentration of insurance risk – Life

The tables below present the concentration of insured benefits across five bands of insured benefits per individual life assured.

	2022	
	$'000	**%**
Insured benefits per life $'000		
0-200	3,219,760	67.29
201-400	1,038,119	21.70
401-800	358,405	7.49
801-1,000	90,761	1.90
More than 1,001	77,551	1.62
Total	4,784,596	100.00

	2021	
	$'000	**%**
Insured benefits per life $'000		
0-200	3,450,778	67.73
201-400	1,090,784	21.41
401-800	370,871	7.28
801-1,000	93,739	1.84
More than 1,001	88,912	1.74
Total	5,095,084	100.00

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.2 Insurance risk (continued)

5.2.1 Objectives in managing insurance contract risks and mitigation policies and concentration of insurance risks (continued)

(b) (ii) Concentration of insurance risk - Annuities

The following tables for annuity contracts illustrate the concentration of risk based on five bands that group these contracts in relation to the amount payable per annum as if the annuity were in payment at the year end. The Group does not hold any reinsurance contracts against the liabilities carried for these contracts.

	2022	
	$'000	**%**
Annuities payable per annum per life		
0-20,000	104,332	52.00
21,000-40,000	40,111	20.00
41,000-80,000	30,974	15.00
81,000-100,000	5,345	3.00
More than 101,000	19,531	10.00
Total	200,293	100.00

The risk concentration has not materially changed from the prior year.

	2021	
	$'000	**%**
Annuities payable per annum per life		
0-20,000	103,959	52.00
21,000-40,000	39,877	20.00
41,000-80,000	30,590	15.00
81,000-100,000	5,145	3.00
More than 101,000	19,531	10.00
Total	199,102	100.00

For contracts where death is the insured risk (life insurance), the most significant factors that could increase the overall frequency of claims are epidemics or pandemics (such as corona virus) or wide spread changes in lifestyle, such as eating, smoking and exercise habits, resulting in claims occurring earlier than expected or in greater numbers than expected. For contracts where survival is the insured risk (annuity), the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

5. Insurance and Financial Risk Management (continued)

5.2 Insurance risk (continued)

5.2.2 Long-term insurance contracts and long-term annuities

(a) Frequency and severity of death claims

Insurance risk for contracts is also affected by the contract holders' right to pay reduced or no future premiums, to terminate the contract completely, or to exercise a guaranteed annuity option. As a result, the amount of insurance risk is also subject to contract holder behaviour. On the assumption that contract holders will make decisions rationally, overall insurance risk can be assumed to be aggravated by such behaviour. For example, it is likely that contract holders whose health has deteriorated significantly will be less inclined to terminate contracts insuring death benefits than those contract holders remaining in good health. This results in an increasing trend of expected mortality, as the portfolio of insurance contracts reduces due to voluntary terminations. The Group has factored the impact of contract holders behaviour into the assumptions and provisions used to measure these liabilities.

Insurance risk for contracts disclosed in the note is also affected by interest rate risk. This is especially significant for some types of long-term insurance products. If new market rates were to rise appreciably, policyholders would want to cash in their policies (where cash values are provided) and move their money elsewhere where they can benefit from higher market rates. While at the same time that the insurer needs cash to pay the policyholder, the assets may have depreciated in market value.

(b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behaviour.

The Group uses appropriate base tables of standard mortality according to the type of contract being written and the territory in which the insured person resides. An investigation into the actual experience of the Group over the last five years is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table. Where this is not the case, the best estimate of future mortality is based on standard industry tables adjusted for the Group's overall experience.

5. Insurance and Financial Risk Management (continued)

5.2 Insurance risk (continued)

5.2.2 Long-term insurance contracts and long-term annuities (continued)

(b) Sources of uncertainty in the estimation of future benefit payments and premium receipts (continued)

For contracts that insure survival, an adjustment is made for future mortality improvements based on trends identified in the data and in the continuous mortality investigations performed by independent actuarial bodies. The impact of any historical evidence of selective termination behaviour will be reflected in this experience. The Group maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates. An allowance is then made for any trends in the data to arrive at a best estimate of future termination rates.

(c) Guaranteed annuity options

The amount of insurance risk under contracts with guaranteed annuity options is also dependent on the number of contract holders that will exercise their option (‘option take-up rate’). This will depend significantly on the investment conditions that apply when the options can be exercised. The lower the current market interest rates in relation to the rates implicit in the guaranteed annuity rates, the more likely it is that contract holders will exercise their options. Continuing improvements in longevity reflected in current annuity rates will increase the likelihood of contract holders exercising their options as well as increasing the level of insurance risk borne by the Group under the annuities issued. The Group does not have sufficient historical data on which to base its estimate of the number of contract holders who will exercise their options.

Conversely, if current market interest rates were to rise in relation to the rates implicit in the guaranteed annuity rates, the more likely it is that policyholders would want to cash in their policies and move their money elsewhere where they can benefit from higher interest rates unless their contracts provide some link to the higher interest rates.

(d) Reinsurance

To further mitigate underwriting risk, the Group purchases reinsurance to share part of the insurance risks accepted by the Group in writing premiums. This reinsurance, however, does not relieve the Group of its primary obligation to policyholders. If any reinsurers are unable to meet their obligation under the related agreements, the Group remains liable to its policyholders for the unrecoverable amounts. The Group has various yearly renewable term and coinsurance reinsurance agreements with reinsurers with different retention amounts for whole life, term, critical illness and universal life products.

5. Insurance and Financial Risk Management (continued)

5.2 Insurance risk (continued)

5.2.2 Long-term insurance contracts and long term annuities (continued)

(d) Reinsurance (continued)

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. The Group reinsures approximately less than 10% of its group and ordinary life portfolios.

5.2.3 Short-duration life insurance contracts

(i) Frequency and severity of claims

These contracts are mainly issued to employers to insure death benefit associated with their pension fund and other employee benefit plans. The risk is affected by the nature of the industry in which the employer operates, in addition to the factors in Note 5.2.1.(b).

The risk of death and disability will vary by industry. Undue concentration of risk by industry will therefore increase the risk of a change in the underlying average mortality or morbidity of employees in a given industry, with significant effects on the overall insurance risk.

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

Other than for the testing of the adequacy of the liability representing the unexpired risk at the reporting date, there is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration. However, for incurred disability income claims, it is necessary to estimate the rates of recovery from disability for future years. Standard recovery tables produced by reinsurers are used as well as the actual experience of the Group. The influence of economic circumstances on the actual recovery rate for individual contracts is the key source of uncertainty for these estimates.

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk

The Group is exposed to a range of financial risks through its financial assets, financial liabilities (investment contracts, accounts payable and loans and borrowings), reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long term, its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk (interest rate risk, equity price risk and foreign currency risk).

5.3.1 Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their contractual obligations, and arises principally from the Group's loans and other receivables, investments securities and related party balances. This is one of the materialised risks with the Group unable to secure timely repayment of several of its advances.

Management of credit risk

The Board Finance Investment and Resolution Committees and the Board Operations, Assets and Recoveries Committee which report to the Board of Directors have oversight of credit risk. The Finance and Investment teams reporting to the Board Finance Investment and Resolution Committees and the Board Operations, Assets and Recoveries Committee, are responsible for managing the Group's credit risk, including the following:

- Formulating credit policies in consultation with the relevant departments, covering credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Limiting concentration of exposure to counterparties by issuer, credit rating band and market liquidity within regulatory and statutory requirements.
- Developing and maintaining the Group's risk grading categorise exposures according to the degree of risk of default. The responsibility for setting risk grades lies with the final approving committee as appropriate. Risk grades are subject to regular reviews by the Board Audit and Risk Committee.
- Developing and maintaining the Group's processes for measuring ECL. This includes processes for:
  - initial approval, regular validation and back-testing of the models used;
  - determining and monitoring significant increase in credit risk; and
  - incorporation of forward looking information.
- Regular reporting or reporting regularly on the credit quality of portfolios to the Board Audit and Risk Committee which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.
- Providing advice, guidance and making specialist skills available to business units to promote best practice in the management of credit risk.

5. Insurance and Financial Risk Management (continued

5.3 Financial risk (continued)

5.3.1 Credit risk (continued)

The Group applies the IFRS 9 general approach to measuring expected credit losses on financial assets. Under the general approach, the Group considers the probability of default on initial recognition of the asset and whether there has been a significant increase in credit risk throughout each reporting period. When determining whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without under cost or effort. The Group primarily identifies whether significant increase in credit risk has occurred for an exposure by comparing external credit ratings from initial recognition to the reporting date.

Definition of default

The Group considers a financial asset to be in default when the financial asset is classified as non-performing as at reporting date. Non-performing is defined as all investments that have missed payments as at reporting date.

A summary of the assumptions underpinning the Group's expected credit loss model under the general approach is as follows

Category	**Definition**	**Basis for recognition of expected credit loss provision**
Stage 1 (Performing)	The counterparty has low risk of default and a strong capacity to meet contractual cash flows.	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected credit losses are measured at its expected lifetime.
Stage 2 (Underperforming)	Financial assets for which there is a significant increase in credit risk since origination but no objective evidence of impairment.	Lifetime expected losses.
Stage 3 (Non-performing)	The financial asset is in default.	Lifetime expected losses.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk exposure for all financial assets.

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.1 Credit risk (continued)

Debt securities

The Group limits its exposure to credit risk by investing only in liquid debt securities and only with counterparties that have a credit rating of at least BBB- from Standard and Poor's and/or Ba1, Ba2, Ba3 from {Moody's) .

The Group monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group supplements this by reviewing changes in bond yields and. where available, credit default swap (CDS) prices together with available press and regulatory information about debtors.

12-month and lifetime probabilities of default are based on historical data supplied by Standard and Poor's for each credit rating and are recalibrated based on current bond yields and CDS prices. Loss given default (LGD) parameters generally reflect an assumed recovery rate of 40% except when a security is credit-impaired, in which case the estimate of loss is based on the instrument's current market price and original effective interest rate.

The exposure to credit risk for debt securities at FVOCI and FVTPL at the reporting date are all concentrated in Trinidad and Tobago.

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.1 Credit risk (continued)

Debt securities (continued)

The following table presents an analysis of the credit quality of debt securities at amortised cost, FVOCI and FVTPL. It indicates whether assets measured at amortised cost and FVOCI were subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired.

	2022					2021				
Credit rating	**FVTPL**	**FVOCI**	**Amortised Cost**			**FVTPL**	**FVOCI**	**Amortised Cost**		
		12-Month	**12-Month**	**Lifetime ECL-Not Credit Impaired**	**Lifetime ECL-**		**12-Month**	**12-Impaired**	**Lifetime ECL-Not Credit**	**Lifetime ECL**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
BBB-to AAA	982,827	7,110,962	-	-	-	925,047	7,184,440	-	-	-
BB- to BB+	-	-	-	-	-	-	-	-	-	-
B- to B+	-	-	-	-	-	-	-	-	-	-
C to CCC+	-	-	-	-	-	-	-	-	-	-
D	-	-	-	-	822,206	-	-	-	-	822,206
Gross carrying amounts	982,827	7,110,962			822,206	925,047	7,184,440	-	-	822,206
Loss allowance	-	(50,471)	-	-	(822,206)	-	(44,204)	-	-	(822,206)
Carrying amounts	982,827	7,060,221	-	-	-	925,047	7,140,236	-	-	-

An impairment allowance of $822,000 (2021: $822,000) in respect of debt securities at FVOCI with a credit rating of D was recognised. These securities are the $473,000 owed by CLF and $345,000 owed by CIB. Both parties have been placed into liquidation because of significant financial difficulties. The Group has no collateral in respect of these investments.

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.2 Credit risk (continued)

Debt securities (continued)

The movement in the allowance for impairment for debt securities at amortised cost during the year was as follows.

	2022			
	12-Month ECL	Lifetime ECL- Not Credit Impaired	Lifetime ECL Credit	Total
	$'000	$'000	$'000	$'000
Balance at January 1	-	-	822,206	822,206
Net remeasurement of loss allowance	-	-	-	-
Transfer to lifetime ECL - not credit-impaired	-	-	-	-
Transfer to lifetime ECL - credit-impaired	-	-	-	-
Financial assets repaid	-	-	-	-
New financial assets acquired	-	-	-	-
Balance at 31 December	-	-	822,206	822,206

	2021			
	12-Month ECL	Lifetime ECL- Not Credit Impaired	Lifetime ECL Credit	Total
	$'000	$'000	$'000	$'000
Balance at January 1	-	-	822,206	822,206
Net remeasurement of loss allowance	-	-	-	-
Transfer to lifetime ECL - not credit-impaired	-	-	-	-
Transfer to lifetime ECL - credit-impaired	-	-	-	-
Financial assets repaid	-	-	-	-
New financial assets acquired	-	-	-	-
Balance at 31 December	-	-	822,206	822,206

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.1 Credit risk (continued)

Debt securities (continued)

The movement in the allowance for impairment in respect of debt securities at FVOCI during the year was as follows.

	2022 12-month ECL $'000	2021 12-month ECL $'000
Balance at January 1	44,204	4,106
Net remeasurement of loss allowance	5,972	39,241
Financial assets derecognised	(22)	(8)
New financial assets acquired	587	865
Balance at December 31	50,741	44,204

Cash and balances with banks and short-term deposits

The Group held cash and cash equivalents of $894,315 (2021: $892,898) with bank and financial institution counterparties which are reputable in the local market. Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the financial institutions they are held with.

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.1 Credit risk (continued)

Concentrations of credit risk

The Group does monitor concentration of credit risk. An analysis of concentrations of credit risk from investments in associates, investment securities, assets held for sale and loans and receivables is shown below.

	Investment in securities		Assets Held For Sale		Loans and receivables	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Concentration by sector:						
Corporate	371,561	386,530		-	2,925	1,709
Government	8,250,377	1,381,150	-	6,933,815	117,474	116,735
Individuals	-	-	58,000	248,935	789,121	525,074
	8,621,938	1,767,680	58,000	7,182,750	909,520	643,518

5.3.2 Liquidity risk

Liquidity Risk is the risk that the entity will encounter difficulty in meeting obligations associated with its financial and insurance liabilities. The Group has managed its liquidity with cash generated from its operations.

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.2 Liquidity risk (continued)

Exposure to liquidity risk

The following tables provide information about the maturity profile for the Group's financial liabilities, financial assets and insurance liabilities.

Maturity analysis for non-derivative cash flows

As at December 31, 2022

Contractual undiscounted cash flows

	Within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	Total $'000	Carrying Values $'000
Financial liabilities					
Investment contracts	101,339	-	1,243,128	1,344,467	1,344,467
Mutual funds obligations	7,012	-	-	7,012	7,012
Loans and borrowings	1,212,820	120,592	-	1,333,412	1,271,169
Due to related parties	128,893	-	-	128,893	128,893
Provision for site restoration	-	-	351,890	351,890	351,890
End of service benefits	-	22,119	-	22,119	22,119
Accounts payable	595,577	-	-	595,577	595,577
Total financial liabilities	2,045,641	142,711	1,595,018	3,783,370	3,783,370
Financial assets					
Investment in associates	-	-	510,735	510,735	510,735
Investment securities	-	3,602,187	8,464,072	12,066,259	8,621,938
Loan, leases and other receivables	87,086	60,660	761,774	909,520	909,520
Assets held for sale	58,000	-	-	58,000	58,000
Cash and cash equivalents	894,315	-	-	894,315	894,315
Total financial assets	1,039,401	3,622,847	9,736,581	14,438,829	10,994,508

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.2 Liquidity risk (continued)

Maturity analysis for non-derivative cash flows (continued)

As at December 31, 2021

Contractual undiscounted cash flows

	Within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	Total $'000	Carrying Values $'000
Financial liabilities					
Investment contracts	146,939	-	-	146,939	146,939
Mutual funds obligations	42,661	-	-	42,661	42,661
Liabilities directly associated, with assets held for sale (Note 15)	1,224,926	-	-	1,224,926	1,224,926
Loans and borrowings	1,412,494	259,133	-	1,671,627	1,578,081
Due to related parties	129,389	-	-	129,389	129,389
Provision for site restoration	-	-	336,157	336,157	336,157
End of service benefits	-	19,726	-	19,726	19,726
Accounts payable	433,675	-	-	433,675	433,675
Total financial liabilities	3,390,084	278,859	336,157	4,005,100	3,911,554
Financial assets					
Investment in associates	-	-	496,389	496,389	496,389
Investment securities	121,361	1,406,969	1,001,371	2,529,701	1,767,680
Loan, leases and other receivables	91,334	135,967	641,887	869,188	869,188
Assets held for sale (Note 15)	7,453,717	-	-	7,453,717	7,137,000
Cash and cash equivalents	892,898	-	-	892,898	892,898
Total financial assets	8,164,169	1,542,936	2,139,647	12,291,893	11,163,155

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.2 Liquidity risk (continued)

Maturity analysis for non-derivative cash flows (continued)

As at December 31, 2022

Expected undiscounted cash flows

	Within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	Total $'000	Carrying Values $'000
Ordinary life	40,286	110,818	704,937	856,041	641,666
FPA	110,618	594,819	4,111,717	4,817,154	2,937,318
Annuities	205,372	764,524	2,684,535	3,654,431	2,542,038
Long-term insurance	356,276	1,470,161	7,501,189	9,327,626	6,121,022
Short-term insurance	20,528	-	-	20,528	20,528
Claims admitted or intimated but not yet paid	228,528	-	-	228,528	228,528
Total	605,332	1,470,161	7,501,189	9,576,682	6,370,078

As at December 31, 2021

Expected undiscounted cash flows

	Within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	Total $'000	Carrying Values $'000
Ordinary life	912,968	-	-	912,968	662,313
FPA	4,898,040	-	-	4,898,040	2,983,231
Annuities	3,722,968	-	-	3,722,968	2,565,927
Long-term insurance	9,533,976	-	-	9,533,976	6,211,471
Short-term insurance	20,902	-	-	20,902	20,902
Claims admitted or intimated but not yet paid	221,866	-	-	221,866	221,866
Liabilities directly associated with assets held for sale (Note 14)	(6,454,239)	-	-	(6,454,239)	(6,454,239)
Total	3,322,505	-	-	3,322,505	-

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.3 Market risk (continued)

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, equity prices, property prices, and foreign currency exchange rates. Market risk arises due to fluctuations in both the value of liabilities and the value of investments held.

Management of market risk

The management of market risk was undertaken mainly at the management committee level. The financial impact from changes in market risk (such as interest rates, equity prices and property values) was reviewed at the reporting date. The sensitivity of capital and Group earnings to changes in economic conditions was analysed through sensitivities to investment returns and asset values at the reporting date.

Management of market risk

- *Equity price risk*

  The Group is subject to equity price risk due to daily changes in market values of its equity securities portfolio. Unquoted equities are also valued on an annual basis using methodologies outlined in Note 3(e).

  The Investments Department actively monitors equity assets owned directly by the Group and concentrations of specific equity holdings.

  Sensitivity to changes in equity prices is given in section 5.3.3.1 below.

- *Interest rate risk*

  Interest rate risk arises primarily from the Group's investment in long-term debt and fixed income securities, which are exposed to fluctuations in interest rates. Exposure to interest rate risk is monitored through the Actuarial Department and Finance Department and managed through the use of asset and liability matching using measures such as duration.

  Insurance and investment contracts with guaranteed and fixed terms have benefit payments that are fixed and guaranteed at the inception of the contract. The financial component of these benefits is usually a guaranteed fixed interest rate and hence the Group's primary financial risk on these contracts is that interest income and capital redemptions from the financial assets backing the liabilities are insufficient to fund the guaranteed benefits payable.

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.3 Market risk (continued)

Management of market risk (continued)

Interest rate risk

The table below summarises the Group's financial assets and liabilities to show the interest-rate gap.

	Up to 1 Year	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000
As at December 31, 2022					
Financial Assets					
Investment securities	-	1,300,367	6,950,458	371,113	8,621,938
Loans, leases and other receivables	-	-	-	909,520	909,520
Assets held for sale (Note 15)	58,000	-	-	-	58,000
Cash and cash equivalents	894,315	-	-	-	894,315
Total financial assets	952,315	1,300,367	6,950,458	1,280,633	10,483,773
Financial Liabilities					
Insurance contracts	110,939	492,718	2,751,196	3,015,225	6,370,078
Investment contracts	101,339		476,006	767,122	1,344,467
Loans and borrowings	1,155,870	115,299	-	-	1,271,169
Due to related parties	-	-	-	128,893	128,893
Mutual fund obligations	7,012	-	-	-	7,012
Accounts payable	-	-	-	595,577	595,577
End of service benefits	-	-	-	22,119	22,119
Provisions	-	-	-	351,890	351,890
Total financial liabilities	1,375,160	608,017	3,227,202	4,880,826	10,091,205
Periodic GAP	**(422,845)**	**692,350**	**3,723,256**	**(3,600,193)**	**392,568**
Cumulative GAP	**(422,845)**	**269,505**	**3,992,761**	**392,568**	

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.3 Market risk (continued)

Management of market risk (continued)

Interest rate risk (continued)

	Up to 1 Year $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
As at December 31, 2021					
Financial Assets					
Investment securities	42,938	1,022,758	315,911	386,073	1,767,680
Loans, leases and other receivables	-	-	-	869,188	869,188
Assets held for sale	7,182,750	-	-	-	7,182,750
Cash and cash equivalents	892,898	-	-	-	892,898
Total financial assets	8,118,586	1,022,758	315,911	1,255,261	10,712,516
Financial Liabilities					
Investment contracts	146,939	-	-	-	146,939
Liabilities directly associated with assets held for sale	7,679,165	-	-	-	7,679,165
Loans and borrowings	1,314,242	-	-	263,839	1,578,081
Due to related parties	-	-	-	129,389	129,389
Mutual fund obligations	-	-	-	42,661	42,661
Accounts payable	-	-	-	433,675	433,675
End of service benefits	-	-	-	19,726	19,726
Provisions	-	-	-	336,157	336,157
Total financial liabilities	9,140,346			1,225,447	10,365,793
Periodic GAP	**(1,021,760)**	**1,022,758**	**315,911**	**29,814**	**346,723**
Cumulative GAP	**(1,021,760)**	**998**	**316,909**	**346,723**	**-**

Sensitivity to changes in interest rates is given in section 5.3.3.1.

- *Currency risk*

  The Group has assets and liabilities denominated in foreign currencies and as a result are exposed to foreign currency exchange risk arising from fluctuations in exchange rates. The Group does not hedge its foreign currency revenues as these are substantially retained locally to support the Group's business and meet local regulatory and market requirements.

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.3 Market risk (continued)

- *Currency risk* (continued)

The Group's sensitivity to this risk is discussed in Note 5.3.3.1 below.

The currencies of denomination of assets and liabilities and the related exposure to foreign exchange risk are shown below.

	TT $'000	US $'000	Other $'000	Total $'000
As at December 31, 2022				
Assets				
Property, plant and equipment	114,072	1,559,163	-	1,673,235
Intangible asset	-	7,585	-	7,585
Investment properties	179,740	-	-	179,740
Investments in associates	25,493		485,242	510,735
Investment securities	7,648,147	971,978	1,813	8,621,938
Inventories	-	285,891	-	285,891
Loans, lease and other receivables	324,726	584,660	134	909,520
Assets held for sale (Note 15)	58,000	-	-	58,000
Deferred tax assets	5,466	-	-	5,466
Tax recoverable	86,595	-	-	86,595
Cash and cash equivalents	219,857	673,208	1,250	894,315
Total assets	8,662,096	4,082,485	488,439	13,233,020
Liabilities				
Insurance contracts	6,370,078	-	-	6,370,078
Investment contracts	1,344,467	-	-	1,344,467
Loans and Borrowings	1,032,184	238,985	-	1,271,169
Due to related parties	94,148	34,745	-	128,893
Mutual fund obligation	7,012	-	-	7,012
Accounts payable	349,595	245,982	-	595,577
Taxation	61,161	116,155	-	177,316
Deferred tax liabilities	-	97,778	-	97,778
End of service benefits	-	22,119	-	22,119
Provisions	-	351,890	-	351,890
Total liabilities	9,258,645	1,107,654	-	10,366,299
Net position	**(596,549)**	**2,974,831**	**488,439**	**2,866,721**

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.3 Market risk (continued)

- *Currency risk* (continued)

	TT $'000	US $'000	Other $'000	Total $'000
As at December 31, 2021				
Assets				
Property, plant and equipment	104,561	1,456,230	-	1,560,791
Intangible asset	-	9,150	-	9,150
Investment properties	228,400	-	-	228,400
Investments in associates	24,715	-	471,674	496,389
Investment securities	1,694,160	71,336	2,184	1,767,680
Deferred tax assets	16,462	-	-	16,462
Tax recoverable	86,595	-	-	86,595
Loans, lease and other receivables	125,701	743,353	134	869,188
Inventories	-	342,500	-	342,500
Assets held for sale (Note 15)	7,182,750	-	-	7,182,750
Cash and cash equivalents	136,827	754,898	1,173	892,898
Total assets	9,600,171	3,377,467	475,165	13,452,803
Liabilities				
Insurance contracts	-	-	-	-
Investment contracts	146,939	-	-	146,939
Liabilities directly associated with assets held for sale (Note 15)	7,679,165	-	-	7,679,165
Loans and Borrowings	1,215,502	362,579	-	1,578,081
Due to related parties	94,644	34,745	-	129,389
Mutual fund obligation	42,661	-	-	42,661
Accounts payable	215,801	217,874	-	433,675
Taxation	61,703	171,619	-	233,322
Deferred tax liabilities	-	101,708	-	101,708
End of service benefits	-	19,726	-	19,726
Provisions	-	336,157	-	336,157
-				
Total liabilities	9,456,415	1,244,408	-	10,700,823
Net position	**143,756**	**2,133,059**	**475,165**	**2,751,980**

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.3 Market risk (continued)

5.3.3.1 Market risk sensitivity analysis

The tables below demonstrate the effect of a change in a key assumption whilst all other assumptions remain unchanged. In reality there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration the fact that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs.

Other limitations in the sensitivity analyses below include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Sensitivity factor	Description of sensitivity factor applied
Exchange rates	A 1% change in the TT$/US$ foreign exchange rate would have the following impact on net assets and net income for the period. Any changes will have an impact on the net profit of the Group as changes are recognised in profit or loss.

	1% increase in TT/US rate TT$'000	1% decrease in TT/US rate TT$'000
	$	$
December 31, 2022		
Impact on profit or loss	2,608	(2,608)
Impact on equity	32,302	(32,302)

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.3 Market risk (continued)

5.3.3.1 Market risk sensitivity analysis (continued)

	1% increase in TT/US rate TT$'000 $	1% decrease in TT/US rate TT$'000 $
December 31, 2021		
Impact on profit or loss	1,915	(1,915)
Impact on equity	26,545	(26,545)

Sensitivity factor	Description of sensitivity factor applied	Assumptions
Interest rate and investment return	The impact of change in market interest rates by + or -1% (e.g. if a current interest rate is 5%, the impact of a immediate change to 4% and 6%).	Effective interest rate for financial assets used was 4% whilst the rate for financial liability was 10%.
Equity	The impact of a change in equity market values by + or – 10%.	All equity movements in the financial assets at fair value through profit or loss affect income whereas investments at FVOCI revaluation affects OCI. All equity market movements affect only quoted equity stock.

(Expressed in thousands of Trinidad and Tobago dollars)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.3 Market risk (continued)

5.3.3.1 Market risk sensitivity analysis (continued)

Impact on	Interest Rates Rise 100 bps $'000	Interest Rates Fall 100 bps $'000	Equity Prices Rise 10% $'000	Equity Prices Fall 10% $'000
Sensitivities as at December 31, 2022				
Profit or loss	38,089	(38,089)	77,240	(77,240)
Equity	(38,089)	38,089	321,391	(321,391)
Sensitivities as at December 31, 2021				
Profit or loss	(1,640)	1,640	78,754	(78,754)
Equity	1,640	(1,640)	334,928	(334,928)

5.4 Operational risk

Operational risk is the risk of loss as a result of inadequately controlled internal processes or systems, human error, or from external events.

This definition is intended to include all risks to which the Group is exposed, other than the financial and insurance risk described above. Hence, operational risks include, for example, information technology, information security, human resources, project management, outsourcing, tax, legal and fraud and compliance risks.

In accordance with the Group's policies, department managers have primary responsibility for the effective identification, management and monitoring. Each operational risk is assessed by considering the potential impact and the probability of the event occurring. Impact assessments are made against strategic, operational and reputation criteria. Day to day operational risks are managed by department managers whereas for more significant transactions Board approval is sought.

5. Insurance and Financial Risk Management (continued)

5.5 Capital management

The current capital structure of the Group consists of debt securities issued as disclosed in Note 22, amounts due to related parties disclosed in Note 23, policyholders' reserves as disclosed in Note 19; investment contracts as disclosed in Note 20; and amounts attributable to equity holders of the Group; comprising issued capital, reserves and retained earnings as disclosed in Notes 16 and 17 respectively.

The subsidiary's principal activities are manufacture and marketing of methanol. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The parent company is governed by the Insurance (Capital Adequacy) Regulations, 2020 which came into operation on January 1, 2021 and requires an insurer to maintain a minimum net tier 1 ratio of 105%, and a minimum regulatory capital ratio of 150%. For the year ending December 31, 2022 these ratios were 191% (net tier 1 ratio) and 313% (regulatory capital ratio), (2021-150% and 288% respectfully).

(Expressed in thousands of Trinidad and Tobago dollars)

6. Property, Plant and Equipment

	Land and Buildings	Furniture, Fixtures and Equipment	Motor Vehicles	Capital Work in Progress	Plant and Equipment	Instruments and Tools	Software	Right of Use Assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Year ended December 31, 2022									
Opening net book value	112,925	23,848	2,724	28,520	1,300,557	1,690	1	90,526	1,560,791
Translation differences	(116)	(10)	(2)	(83)	(4,104)	(3)	(1)	(269)	(4,588)
Additions	12,143	2,043	125	289,296	-	94	-	438	304,139
Adjustments	-	-	-	-	-	-	-	287	287
Revaluation	583	-	-	-	-	-	-	-	583
Transfers	1,081	1,577	594	(287,819)	284,567	-	-	-	-
Disposals	-	(98)			(6,216)	-	-	-	(6,314)
Depreciation on disposals	-	-	-	-	2,697	-	-	-	2,697
Depreciation charge	(2,666)	(3,370)	(493)		(159,179)	(527)		(18,125)	(184,360)
Closing net book value	123,950	23,990	2,948	29,914	1,418,322	1,254	-	72,857	1,673,235
Year ended December 31, 2021									
Opening net book value	74,334	26,630	1,302	27,540	1,412,871	1,427	-	102,097	1,646,201
Translation differences	-	-	-	4	282		-	30	316
Additions	885	325	1,477	8,631	-	725	35	7,348	19,426
Revaluation	(631)	-	-	-	-	-	-	-	(631)
Transfers	40,600	730	406	(7,655)	6,431	88	(27)	-	40,573
Disposals	-	-	(143)	-	-	-	-	-	(143)
Depreciation on disposals	-	-	137	-	-	-	-	-	137
Depreciation charge	(2,263)	(3,837)	(455)	-	(119,027)	(550)	(7)	(18,949)	(145,088)
Closing net book value	112,925	23,848	2,724	28,520	1,300,557	1,690	1	90,526	1,560,791

During the year, land and buildings were valued using the income and market approach by G.A. Farrell & Associates Limited and Linden Scott E. Associates. The loss of $583 (2021: loss: $631) arising from these revaluations was debited to the valuation reserve account. These valuations are dated October 2022.

(Expressed in thousands of Trinidad and Tobago dollars)

6. Property, Plant and Equipment (continued)

Property, plant and equipment owned by OMC are mortgaged as security for the borrowings of the Company.

Property, plant and equipment includes right-of-use assets of $72,857 (2021: $90,526) related to leased properties that do not meet the definition of investment property. The subsidiary of MHIL has sub-leased the two ships Gulf Espirit and Gulf Elan for the whole of the remaining term of the head lease.

If land and buildings recorded at fair value were stated on a historical cost basis, the amounts would be as follows:

	2022 $'000	2021 $'000
Cost	77,897	77,897
Accumulated depreciation	(4,998)	(4,246)
Net book value	72,899	73,651

Measurement of fair value

The fair value of land and buildings held by CLICO was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and segments of the properties being valued. The independent valuers provide the fair value of the Group's land and buildings portfolio on a biennial basis or annual basis.

The fair value measurement for the properties has been categorised as Level 2 and Level 3 in the fair value hierarchy based on the inputs to the valuation technique used, (Refer to Note 4.3).

6. Property, Plant and Equipment (continued)

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of properties as well as the significant unobservable inputs used.

Valuation Technique	**Significant Unobservable Inputs**	**Inter-relationship between key unobservable inputs and fair value measurement.**
The Income Approach by direct capitalisation is based on the principle that the value of a property is indicated by the net return to the property, or what is also known as the present worth of future benefits. The future benefits of income-producing properties is net income before debt service and depreciation, derived by a projection of income and expense, along with any expected reversionary proceeds from a sale. In direct capitalization, net operating income is divided by an overall rate to indicate a value	In most instances, vacancy levels (voids) were estimated at 10% - 15% of the gross potential income. In instances where we estimated building expenses, 15% - 25% of gross income was used. Capitalization rates (net all-risks yield) was estimated between 7%-9%.	The estimated fair value would increase (decrease) if: The allowance for voids was decreased (increased). The allowance for building expenses (outgoings) was decreased (increased). The direct capitalization rate was lower (higher). The rate per square feet increase (decrease
The Market Approach is a valuation method is used to find the value of a property by comparing it to other similar properties that have sold recently.	In most instances, property value were estimated at 27% below to 85% above subject rate per square feet of comparable properties sold.	The estimated fair value would increase (decrease) if the rate per square feet. Or rate per annum would increase (decrease).
The Cost Approach is a valuation method that provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction.	Indirect construction estimated at 25% Depreciation estimated at 40%	Decrease or Increase if the allowance is lower (higher) Decrease or Increase if the depreciation is lower (higher)

(Expressed in thousands of Trinidad and Tobago dollars)

7. Intangible asset

	2022 $'000	2021 $'000
Cost		
At 1 January 2022	28,298	19,621
Additions during the year	546	8,677
Net exchange differences	(77)	-
At 31 December 2022	28,767	28,298
Accumulated amortization		
At 1 January 2022	(19,148)	(18,715)
Net exchange differences	56	-
Charge for the year	(2,090)	(433)
At 31 December 2022	(21,182)	(19,148)
Net book value at 31 December 2022	7,585	9,150

8. Investment Properties

	2022 $'000	2021 $'000
At beginning of year	274,150	390,700
Transfer to property, plant and equipment	-	(40,600)
Loss on revaluation of investment properties	(660)	(7,800)
Disposals	(35,750)	(68,150)
	237,740	274,150
Assets held for sale (Note 15)	(58,000)	(45,750)
At end of year	179,740	228,400

Investment Properties comprises a number of commercial properties that are leased to third parties. Each of the leases are for a period of 2 years or are on a month to month basis. CLICO has classified these leases as operating leases because they do not transfer substantially all the risk and rewards associated with the ownership of the assets. Further information about these leases are included in Note 33(b).

Rental income arising from investment properties owned by the Group amounted to $11,933 (2021: $13,000). Maintenance expense, included in the expenses for administration, amounted to $6,500 (2021: $6,600).

8. Investment Properties (continued)

Measurement of fair value

The fair value of investment properties was determined by external, independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio on a biennial basis.

The fair value measurement for investment properties has been categorized as Level 2 and Level 3 in the fair value hierarchy based on the inputs to the valuation techniques used (refer to Note 4.3)

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of properties as well as the significant unobservable inputs used.

Valuation Technique	**Significant Unobservable Inputs**	**Inter-relationship between key unobservable inputs and fair value measurement.**
The Income Approach by direct capitalisation is based on the principle that the value of a property is indicated by the net return to the property, or what is also known as the present worth of future benefits. The future benefits of income-producing properties is net income before debt service and depreciation, derived by a projection of income and expense, along with any expected reversionary proceeds from a sale. In direct capitalization, net operating income is divided by an overall rate to indicate a value	In most instances, vacancy levels (voids) were estimated at 10% - 15% of the gross potential income. In instances where we estimated building expenses, 15% - 25% of gross income was used. Capitalization rates (net all-risks yield) was estimated between 7%-9%.	The estimated fair value would increase (decrease) if: The allowance for voids was decreased (increased). The allowance for building expenses (outgoings) was decreased (increased). The direct capitalization rate was lower (higher). The rate per square feet increase (decrease
The Market Approach is a valuation method is used to find the value of a property by comparing it to other similar properties that have sold recently.	In most instances, property value were estimated at 27% below to 85% above subject rate per square feet of comparable properties sold.	The estimated fair value would increase (decrease) if the rate per square feet. Or rate per annum would increase (decrease).
The Cost Approach is a valuation method that provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction.	Indirect construction estimated at 25% Depreciation estimated at 40%	Decrease or Increase if the allowance is lower (higher) Decrease or Increase if the depreciation is lower (higher)

(Expressed in thousands of Trinidad and Tobago dollars)

9. Investment in Associates

	2022	Restated 2021
	$'000	$'000
Balance at beginning of year	496,389	491,417
Share of after tax profits	14,952	4,083
Dividends received	(843)	(738)
Share of other comprehensive income	237	1,627
Balance at end of year	510,735	496,389

The following table summarises the financial information of CL World Brands Limited (CLWB) and L.J. Williams Limited.

The value of CLWB and L J Williams is derived using the equity method for valuation.

	CL World Brands Limited		L.J. Williams Limited	
	Unaudited June 30 2022	Audited June 30 2021	Audited March 31 2022	March 31 2021
	$'000	$'000	$'000	$'000
Total Assets	520,903	598,946	167,587	167,101
Total Liabilities	(8,813)	(8,465)	(63,568)	(68,849)
Net Assets	512,090	590,481	104,019	98,252
Group share of net assets	215,078	248,002	21,843	20,632
Revenue	33,620	16,911	152,795	151,308
Profit and total comprehensive income (100%)	32,305	5,911	7,719	15,370
Group share of profit and total comprehensive income	13,568	2,482	1,621	3,228
Dividends received during the year	-	-	843	738

The financial statements of CLWB are prepared in accordance with FRS102 *The Financial Reporting* applicable in the UK and the Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

The financial statements of L.J. Williams Limited have been prepared in accordance with (IFRS) *International Financial Reporting Standards*.

(Expressed in thousands of Trinidad and Tobago dollars)

10. Investment Securities

	2022 $'000	2021 $'000
Fair value through other comprehensive income		
Unquoted equities	1,954	1,954
Quoted equities	369,159	384,121
Government securities bonds	8,250,825	1,381,605
	8,621,938	1,767,680

	2022 $'000	2021 $'000
The analysis below discloses the gross amounts before transferred to assets held for sale (for 2021 only):		
Unquoted equity securities	1,954	1,954
Quoted equity securities	369,159	384,121
Government securities - Bonds	7,353,113	7,390,373
	7,724,226	7,776,448
Managed Funds' assets at fair value through profit or loss		
Government and corporate securities	897,712	925,047
	8,621,938	8,701,495
Assets held for sale (Note 15)	-	(6,933,815)
Total	8,621,938	1,767,680

Not disclosed above are debt securities comprising bonds issued by CL Financial Limited (CLF), the Parent Company, of $476,000 (2021: $476,000) and a bond issued by CLICO Investment Bank Limited, a fellow subsidiary, of $346,000 (2021: $346,000). These amounts are deemed to have a fair value of NIL.

The table below illustrates movements in investment securities during the year:

	2022 $'000	2021 $'000
At January 1	8,701,495	9,015,377
Purchases	104,508	202,269
Disposals	(103,465)	(498,749)
Fair value (losses) gains	(80,600)	(17,402)
At December 31	8,621,938	8,701,495

(Expressed in thousands of Trinidad and Tobago dollars)

11. Due from Related Parties

	2022 $'000	2021 $'000
Parent company	3,818,039	3,816,670
Subsidiary Companies	23,515	23,515
Fellow subsidiary and associates	728,343	728,343
	4,569,897	4,568,528
Provision for impairment	(4,569,897)	(4,568,528)
	-	-

These related companies are in liquidation and CLICO is in the process of trying to recover these funds and no right of offset against due to related parties is possible.

12. Loans, Leases and Other Receivables

	2022 $'000	2021 $'000
Accrued investment income	118,022	117,077
Lease receivables (see (a) below)	147,747	225,665
Sundry debtors and prepayments	447,140	533,050
Promissory notes	302,477	302,477
Mortgages	62,326	62,310
Policy loans	201,461	204,321
	1,279,173	1,444,900
Provision for impairment (see (b) below)	(369,653)	(372,527)
	909,520	1,072,373
Assets held for sale (Note 15)	-	(203,185)
	909,520	869,188

(b) Lease receivables consists of the following cash flows:

	2022 $'000	2021 $'000
Not later than one year	87,086	91,334
Later than one year and not later than five years	71,326	158,804
Total undiscounted lease receivables	158,412	250,138
Unearned finance income	(10,665)	(24,473)
Net investment in the lease	147,747	225,665

The subsidiary of MHIL has sub-leased the two ships Gulf Espirit and Gulf Elan for the whole of the remaining term of the head lease. The above table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

(Expressed in thousands of Trinidad and Tobago dollars)

12. Loans, Leases and Other Receivables (continued)

(c) The table below illustrates the movement of the provision for impairment during the year.

	Promissory Notes $'000	Mortgages $'000	Policy Loans $'000	Rental Income Due $'000	Total $'000
As at December 31, 2021	302,234	61,959	1,136	7,198	372,527
Write back	-	-		(3,273)	(3,273)
Impairment		366	33	-	399
As at December 31, 2022	302,234	62,325	1,169	3,925	369,653

During the year, $400 (2021: 3,300) was impaired in loans and receivables.

13. Inventories

	2022 $'000	2021 $'000
Stores, spares and chemicals	237,582	313,158
Finished stock – methanol	48,309	29,342
	285,891	342,500

During the year, no provision for obsolescence was considered necessary.

14. Cash and Balances with Banks and Short-term Deposits

	2022 $'000	2021 $'000
Deposits maturing less than three months	1,303	4,569
Cash at bank	764,924	704,166
	766,227	708,735
Restricted Deposits		
Cash held on restricted deposit owned by subsidiary	60,674	60,863
Deposits maturing more than three months owned by subsidiary	67,414	123,300
	894,315	892,898

Restricted Cash

The cash at bank disclosed above includes $61,000 (2021: $61,000) held at Deutsche Bank AG London in connection with certain obligations of Oman Methanol Company LLC. The subsidiary's lenders are required to approve all payments from this account.

(Expressed in thousands of Trinidad and Tobago dollars)

15. Assets Held For Sale/Discounted Operations

	2022 $'000	2021 $'000
Assets held for sale		
Investment properties	58,000	45,750
Government securities - bonds	-	6,933,815
Loans and receivables	-	203,185
	58,000	7,182,750
Liabilities directly associated with assets held for sale		
Insurance contracts (see note 19)	-	6,454,239
Investment contracts (see note 20)	-	1,224,926
	-	7,679,165

The majority of the above items relate to the SPA signed with SAGICOR. The classification remains appropriate as the delay in the Scheme of Transfer is not as a result of action by either parties (see Note 1 for details).

The major classes of assets and liabilities classified as held for sale are presented above at their respective carrying amounts as at December 31, 2022. These amounts are not reflective of what the carrying amounts would be on the effective dates that the assets are transferred under the SPA. Upon determination of liabilities related to the insurance and investment contracts on the effective date of sale by the appointed actuary, the Group is required to allocate assets as required to cover the entire amount of the liability. See Note 1 for more details.

(Expressed in thousands of Trinidad and Tobago dollars)

15. Assets Held For Sale/Discounted Operations (continued)

Investment properties indicated above includes to sales agreements for the sale of two investment properties that are not part of the assets under the SPA.

During the year, investment properties in the amount of $25,900 (2021: $68,200) were disposed of by CLICO and acquired by a related party.

	Note	2022 $'000	2021 $'000
Balances associated with assets held for sale disclosed in the Statement of Profit or Loss			
Investment income		468	390,477
Net fair value gain (loss) on assets at fair value through profit or loss			442
Loss on trading managed funds units			(13,532)
Loss on revaluation of investment properties		1,250	(3,100)
Administration and asset management fees			6,435
Impairment loss of financial assets		-	(40,098)
Net results from investing activities		1,718	340,624
Expenses for administration		(1,308)	(77,347)
Investment contract movements	29		(42,424)
Revaluation loss on managed funds liabilities		-	(442)
Operating expenses		(1,308)	(120,213)
Net single line disclosure in the Statement of Profit or Loss		410	220,411
Net results from insurance activities		-	(104,329)
Net total		410	116,082
Balances associated with assets held for sale disclosed in the statement of other comprehensive income			
Other comprehensive loss		-	(72,692)

(Expressed in thousands of Trinidad and Tobago dollars)

15. Assets Held For Sale/Discounted Operations (continued)

	2022 $'000	2021 $'000
Cash flows from assets held for sale		
Operating profit before taxation	410	116,082
Adjustments for:		
Loss on revaluation of investment income	(1,250)	3,100
Investment income	(468)	(390,477)
Impairment loss of financial assets	-	40,098
Investment contract movement	-	(42,424)
Gain on trading Managed Funds units	-	(13,532)
Shareholders' funds transferred to Managed Funds	-	23,275
Fair value loss (gain) through profit or loss	-	(1,157)
Operating loss before changes in working capital	(1,308)	(265,035)
Changes in:		
- Investment contracts	-	5,672
Net cash used in operating activities	(1,308)	(259,363)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of investment property	11,750	8,150
Interest received	468	394,669
Net cash from investing activities	12,218	402,819
Cash and cash equivalents	10,910	143,456

16. Share Capital

	2022 $'000	2021 $'000
Authorised		
An unlimited number of ordinary shares of no par value		
Issued		
2,950,000 ordinary shares of no par value	14,750	14,750

(Expressed in thousands of Trinidad and Tobago dollars)

16. Share Capital (continued)

Holders of these shares are entitled to dividends as declared from time to time. However, as a result of the Central Bank intervention, and the issue of the redeemable preference shares, the Group cannot make dividend payments to ordinary shareholders until the full discharge of the obligation to repay all of the preference shares.

The Group is not allowed to issue any further ordinary shares except with the approval of the preference shareholder.

17. Valuation Reserves

	Managed Funds $'000	Marketable Securities $'000	Land and Buildings $'000	Total $'000
Year ended December 31, 2022				
Balance at December 31, 2021	169,621	(508,900)	111,152	(228,127)
Items that will not be reclassified to profit and loss				
Reclassification of gain on disposal of equity investments at FVOCI accumulated surplus	-	(8,501)	-	(8,501)
Translation differences	-	-	-	-
Equity investments at FVOCI and land and building: Net change in fair value	-	(6,713)	583	(6,130)
Deferred tax adjustments	-	(9,462)	-	(9,462)
Items that are or may be reclassified subsequently to profit and loss				
Debt investments at FVOCI: Net change in fair value	-	(70,432)	-	(70,432)
Net change in fair value arising from assets held for sale	27,382	-	-	27,382
Balance at December 31, 2022	197,003	(604,008)	111,735	(295,270)

(Expressed in thousands of Trinidad and Tobago dollars)

17. Valuation Reserves (continued)

Valuation reserves relate to the fair value movements in the marketable securities property and equipment and managed funds.

	Managed Funds $'000	Marketable Securities $'000	Land and Buildings $'000	Total $'000
Year ended December 31, 2021				
Balance at December 31, 2020	161,207	(289,009)	111,783	(16,019)
Impact of correction of error	-	(192,210)	-	(192,210)
Restated balance as January 1, 2021	161,207	(481,219)	111,783	(208,229)
Items that will not be reclassified to profit and loss				
Reclassification of gain on disposal of equity investments at FVOCI accumulated surplus	-	(47,789)	-	(47,789)
Translation differences	-	42	-	42
Equity investments at FVOCI – and land and building: Net change in fair value	-	61,834	(631)	61,203
Items that are or may be reclassified subsequently to profit and loss				
Debt investments at FVOCI: Net change in fair value	-	30,924	-	30,924
Net change in fair value arising from assets held for sale	8,414	(72,692)	-	(64,278)
Restated balance at December 31, 2021	169,621	(508,900)	111,152	(228,127)

(Expressed in thousands of Trinidad and Tobago dollars)

18. Non-controlling Interest (NCI)

	2022 $'000	2021 $'000
NCI percentage	43%	43%
Total Assets	2,814,930	3,079,866
Total liabilities	1,072,909	1,209,663
Net assets	1,742,024	1,870,203
Net assets attributable to NCI	1,131,614	1,215,957
Revenue	2,542,770	2,843,742
Profit	611,793	936,288
OCI	-	-
Total Comprehensive income	611,793	936,288
Profits allocated to NCI	244,900	375,205
OCI allocated to NCI	-	-
Cash flows from operating activities	922,376	1,011,979
Cash flows from investing activities	(136,130)	(21,869)
Cash flows from financing activities	(874,022)	(863,713)
Net increase (decrease) in cash and cash equivalents	(87,776)	126,397

19. Insurance Contracts

	2022 $'000	2021 $'000
Long-term Insurance Contracts - Note 17.3 (a)	6,139,437	6,228,774
Short-term Insurance Contracts - Note 17.3 (b)	2,113	3,599
	6,141,550	6,232,373
Claims admitted or initiated but not yet paid	228,528	221,866
	6,370,078	6,454,239
Liabilities directly associated with assets held for sale (Note 15)	-	(6,454,239)
Total policyholders' liabilities	6,370,078	-

19. Insurance Contracts (continued)

19.1 Actuarial valuation

CLICO's Consulting Actuary, Simone Brathwaite, in their report dated March 20, 2023, stated that the aggregate amount of the liabilities of CLICO in relation to its long-term insurance business registered in Trinidad and Tobago as at December 31, 2022 amounted to $6,370,000 (2021: $6,454,000) and does not exceed the aggregate value (as provided by CLICO) of the assets supporting policyholder liabilities.

The Caribbean Policy Premium Method (CPPM) was used as a minimum basis for valuing long-term insurance liabilities as described in the Insurance Act, 2018 (amended). The Insurance Act provides that no policy shall be treated as an asset whereas CPPM allows negative reserves. Thus, CPPM is applied with a zero reserve floor in this valuation. This method uses a traditional discounted cash flow valuation platform.

The actuary valued the policy liability by projecting future policy cash flows, and then discounting these cash flows to the reporting date at risk adjusted interest rates. Due to uncertainty in the future experiences, margins for adverse deviation from CLICO's recent experiences are added in deriving future policy cash flows.

COVID-19 Considerations

COVID-19 was officially deemed a pandemic by the World Health Organization (WHO) on March 11, 2020. CLICO has continuously monitored the impact of COVID-19 throughout the year and has noted that year-to-date pandemic experience on its insured population has not been material.

Mortality

Over 90% of CLICO's actuarial reserves consists of deferred and payout annuities where higher mortality is favorable for the aggregate business. As part of the COVID-19 stress testing, mortality rates were increased by 20% for all lines of business for 2021 and 2022, this resulted in a reserve release of $12,100.

The Group has also been tracking deaths reported on its smaller Ordinary Life business. Thus far 27 (2021; 48) reported deaths in this portfolio were due to COVID-19.

Policyholder Behavior

The Group also tracked premium payment and termination experience this year to compare with historical experience in order to detect if there is potential deviation due to COVID-19. Similar to mortality experience, policyholder behaviour experience has not deviated materially compared to prior years. In addition, the aggregate business is relatively insensitive to change in premium persistency and lapse rates, as demonstrated in experience updates.

19. Insurance Contracts (continued)

19.1 Actuarial valuation (continued)

COVID-19 Considerations (continued)

Interest Rate

Most of Group's existing assets backing actuarial reserves consists of Government of Trinidad and Tobago (GOTT) bonds. A reduction in interest rate will increase the market value of inforce assets, which will partially offset the impact on reserve changes due to lower valuation interest rate. Also, the Government Trinidad and Tobago has not given any indication that it intends to reduce the yield curve in response to COVID-19. Therefore, no provision is made on this account.

No provision was made for COVID-19 as of December 31, 2022. The Group plans to continue monitoring experience as it emerges and adjust actuarial reserves as needed, in accordance with existing valuation methodologies.

19.2 Long-term and short-term life insurance contracts - assumptions and sensitivity

(a) Process used to decide on assumptions

At each reporting date, the valuation assumption for each component of policy cash flows consists of an assumption for the expected experience and, separately, a margin for adverse deviation that reflects the degree of uncertainty in the expected experience assumption. The expected experience and the margin reflect the latest current experiences.

The assumptions used for the long-term insurance contracts disclosed in this note are as follows:

Mortality

For long-term life insurance policies, the mortality assumptions are made based on 1986-92 Canadian Institute of Actuaries Select and Ultimate mortality tables. An investigation into the Group's mortality experience is performed, and the mortality tables are adjusted to reflect the Group's experience and territory differences. Additional margin was provided for uncertainty in setting the expected mortality assumptions.

For all immediate and deferred payout annuity policies, the mortality assumptions are based on 1994 Group Annuitant Mortality Static tables. Mortality improvement is assumed for past and future years. Additional margin was provided for uncertainty in setting the expected mortality assumptions.

19. Insurance Contracts (continued)

19.2 Long-term and short-term life insurance contracts - assumptions and sensitivity (continued)

(a) Process used to decide on assumptions (continued)

Lapses

Future lapses were assumed in valuing the actuarial liabilities of the individual life insurance, universal life insurance and FPA business based on the Group's experience since 1999. Additional margins were provided for uncertainty in setting the expected lapse assumptions.

Interest rates

Valuation interest rate assumptions are determined based on the following information:

i. Projected investment income and market values of all assets supporting policy holder liabilities at December 31, 2022
ii. Margined liability cash flows at December 31, 2022
iii. Trinidad and Tobago Treasury yield curve as at December 31, 2022
iv. Yield curve used for reinvestment and disinvestments.

Additional allowances are made for investment income tax, investment expense, asset default and asset/liability mismatch.

The assets supporting policy holder liabilities as of December 31, 2022 are meant to support the policy liabilities for Ordinary Long-term Insurance Business, EFPA, GAP and GAAPP.

In addition, as suggested in the Guidance Note document on the Quantitative Impact Study (QIS) published by the Central Bank, the expected return on equities from the combination of dividend, capital growth and maturity proceeds for a consistent term should not exceed return on government debt instruments plus 1%.

19. Insurance Contracts (continued)

19.2 Long-term and short-term life insurance contracts - assumptions and sensitivity (continued)

(a) Process used to decide on assumptions (continued)

Expenses

Policy administrative expense assumptions are made based on the Group’s operating experience during the year of valuation. An expense study is performed by the Group, and a per-policy administrative expense is derived from the results of the analysis. A future expected rate of expense inflation is assumed based on the actual rate of inflation in Trinidad and Tobago during the year of valuation.

Morbidity assumptions

Critical illness morbidity rates were based on rates supplied by Swiss Re and a margin for adverse deviation is added.

(b) Change in assumptions

The following table presents changes in assumptions from the prior year valuations and their impact on the value of insurance liabilities in the current year.

Assumption	**Change in Assumption**	**Reason for Assumption Change**	**Increase (Decrease) in Policy Liabilities ($000's)**	**Percentage of Change (as % of total liabilities)**
Annuitant Mortality	Change in mortality multiple	Update historical mortality improvement	8,926	0.15%
Future mortality improvement	Update base year of MI projection for annuities	Consistent future mortality improvement	(3,424)	-0.06%
Lapse rates	Update lapses for FPAs, UL and TRAD. Performed a Multiflex lapse study for first time.	Reflected lapse experience	(1,316)	-0.02%

(Expressed in thousands of Trinidad and Tobago dollars)

19. Insurance Contracts (continued)

19.2 Long-term and short-term life insurance contracts - assumptions and sensitivity (continued)

(b) Change in assumptions (continued)

Assumption	Change in Assumption	Reason for Assumption Change	Increase (Decrease) in Policy Liabilities	Percentage of Change (as % of total liabilities)
Premium persistency	Updated premium persistency vectors for UL and FPAs. Performed a Multiflex lapse study for the first time.	Reflected recent premium experience	(3,721)	-0.06%
Annuitization guarantee	Reflected new mortality multiple and updated annuitization % for Multiflex	Reflected recent annuitization experience	12,824	0.21%
Per policy expense	Update to unit expenses	Updated expenses and policy count	8,982	0.15%
Interest rates	Change in valuation interest rates	Changes in asset values	(51,824)	-0.85%

(Expressed in thousands of Trinidad and Tobago dollars)

19. Insurance Contracts (continued)

19.2 Long-term and short-term life insurance contracts - assumptions and sensitivity (continued)

(c) Sensitivity analysis

The following tables present the sensitivity of the value of insurance liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance liabilities.

As at December 31, 2022

Variable	Change in Variable	Increase (Decrease) in Policy Liabilities	Change
		$'000	%
Parallel shift of valuation	100 basis points	687,391	11.51
Change in per-policy maintenance expense	10%	45,460	0.76
Change in rate of inflation	100 basis points	49,944	0.84
Reduction in lapse rate	100 basis points	4,586	0.08
Change in mortality rate	10%	103,041	1.73

As at December 31, 2021

Variable	Change in Variable	Increase (Decrease) in Policy Liabilities	Change
		$'000	%
Parallel shift of valuation	100 basis points	718,809	11.82
Change in per-policy maintenance expense	10%	47,448	0.78
Change in rate of inflation	100 basis points	53,932	0.89
Reduction in lapse rate	100 basis points	4,845	0.08
Change in mortality rate	10%	104,680	1.72

(Expressed in thousands of Trinidad and Tobago dollars)

19. Insurance Contracts (continued)

19.3 Movement in insurance liabilities

(a) Long-term insurance contracts with fixed terms and guaranteed amounts

	2022 $'000	2021 $'000
At beginning of year	6,228,774	6,315,365
Impact of in force movement	(47,466)	(75,168)
Impact of assumption change	(29,551)	(25,265)
Impact of correction and model refinement	(12,320)	13,842
At end of year	6,139,437	6,228,774

(b) Short-term insurance contracts with fixed terms and guaranteed amounts

	2022 $'000	2021 $'000
At beginning of year	3,599	7,479
Other movements	(1,486)	(3,880)
At end of year	2,113	3,599

20. Investment Contracts

	2022 $'000	2021 $'000
Managed Funds (a)	767,122	-
Deposit administration contracts	476,006	-
EFPA Investment Contracts (b)	101,339	146,939
	1,344,467	146,939

(a) The benefits offered under the Group's investment contracts are mainly based on the return on the assets of the Group. This investment mix is unique and cannot be replicated by any benchmark indicator or combinations thereof with sufficiently high correlation to the assets of the Group. The Group communicates the performance of these contracts, by the change in the unit values for Managed Funds, and by the rate of interest credited for deposit administration contracts.

(Expressed in thousands of Trinidad and Tobago dollars)

20. Investment Contracts (continued)

(a) The assets backing Managed Funds liabilities are included in the relevant balances in the statement of financial position. The carrying values of assets pledged for these liabilities are as follows:

	2022 $'000	2021 $'000
Government securities (Note 10)	897,712	925,047

(b) The Group classifies EFPA as an investment contract under IFRS 9. To ensure the adequacy of the liability to cover the minimum guarantees, the liability is set to the maximum of the account value and the aggregate present value of projected benefits assuming the account value continues to accumulate under contractual minimum guaranteed credited rate until maturity.

In 2015 the Group began its First Partial Distribution of cash to Statutory Funds STIPs policyholders including the Government. The total value of this distribution during 2015 was $4,900,000 to both the Government and individuals who did not accept the Government's previous offer in 2011.

The remaining EFPA Investment Contracts have been valued taking into consideration the residual balance of the STIP contracts assigned to the GORTT by policyholders who accepted the Government's pay-out offer in 2011. This offer involved policyholders accepting a pay-out value equivalent to the policy value as at the last renewal date before September 10, 2010, less principal withdrawals, and the policyholders assigning their policy to the Government. These policies, now assigned to GORTT, are valued at the pay-out value. The remainder of the EFPA contracts (for policyholders who did not accept the Government's 2011 offer) were valued at the fund value basis with margins on exchange rates.

Retail EFPA policies over the maximum contractual maturity age have been matured and the account value of $46,660 was moved to accounts payable. The accumulated balance continues to be available for payment to non-related party EFPA policyholders. The balance of $46,660 will not accrue at the minimum guaranteed contractual rates under the EFPA policy after maturity.

21. Mutual Fund Obligations

The Group is the advisor, manager and distributor of the Colonial Life Family of Funds.

The Group guaranteed the principal and interest to the unit holders of the Core (Series VI) and Power (Series VI) Funds. The original guarantee was for the principal and for a specified interest rate of return over a specified period of time.

(Expressed in thousands of Trinidad and Tobago dollars)

21. Mutual Fund Obligations (continued)

The Group has a mutual fund obligation liability of $7,012 at the reporting date (2021: $42,661). In prior years this value was an estimate of the liability that the Group is exposed to should the Core (Series VI) and/or Power (Series VI) not perform to the level of the guarantee. This estimate for 2020 continues to be based on the level of acceptance of the GORTT's pay out offer to Core (Series VI) unit holders.

The value of the mutual fund is based on the other values made by GORTT.
.
In 2022, there were significant surrenders of Power (Series VI) Fund policies with an account value of $36,656. This amount is included in accounts payables (Note 26).

No management fee was accrued for 2022 (2021: $NIL).

22. Loans and Borrowings

	2022 $'000	2021 $'000
Non-current liabilities		
Redeemable preference shares to GORTT	1,029,357	1,212,016
Lease liabilities	100,610	195,083
Non - current portion of loan	19,982	65,286
Future interest expense on lease liabilities	(13,349)	(26,428)
	1,136,600	1,445,957
Current liabilities		
Current portion of loan	39,222	33,454
Current portion of lease liabilities	95,347	98,670
	1,271,169	1,578,081

Redeemable preference shares

All issued preference shares are fully paid. Redeemable preference shares do not carry the right to vote and rank equally with other shares with regard to the Group's residual assets, except that holders of redeemable preference shares participate only to the extent of the face value of the shares.

Leases

CLICO leases pertains to right-of-use assets related to leased properties that do not meet the definition of investment property and are presented as property and equipment (Note 6) and the significant accounting policy(Note 3)

22. Loans and Borrowings (continued)

Leases (continued)

OMC entered into a lease agreement on December 12, 2004 with Sohar Industrial Port Company SAOC in respect of the land used for construction of the plant, which is valid until September 22, 2027.

OMC also entered into lease agreements valid from May 26, 2017 and March 29, 2018 with Gulf Energy Maritime (GEM) PJSC for lease of two ships, Gulf Espirit and Gulf Elan respectively.

Borrowings

Borrowings represent loans provided to OMC and are denominated in United States Dollars.

(a) On October 2, 2019, the outstanding amount of US$21,670 was rescheduled. The amended terms require 10 equal semi-annual installments starting on 12 October 2019 with an annual rate of interest of 6 month LIBOR plus 4% (2020: 6 month LIBOR plus 4%).

(b) On October 2, 2019, the Subsidiary entered into a "UK export finance facility" for an amount of US$8,750 and proceeds of the loan have been utilized to meet capital expenditure. The loan is repayable in 10 equal semi-annual payments starting from October 12, 2019 with an interest rate of linked to 6 month LIBOR plus 2.25% per annum (2020: 6 month LIBOR plus 2.25%).

OMC LLC is not exposed to the risk of interest rate changes or contractual repricing on its borrowings as all the borrowings are at fixed interest rates.

The fair value of the current portion of long term borrowings equals to their carrying amounts, as the impact of discounting is not significant.

The Credit Facility Agreement (CFA) contains certain covenants pertaining to, amongst other things, interest and loan coverage ratios, and distributions to subsidiary's shareholders. OMC has complied with these relevant covenants throughout the reporting period.

CFA term loans are secured by a mortgage over the assets of OMC (See Note 6).

(Expressed in thousands of Trinidad and Tobago dollars)

22. Loans and Borrowings (continued)

Reconciliation Of Movements Of Liabilities To Cash Flows Arising From Financing Activities

	Loans and Borrowings $'000	Lease Liabilities $'000	Total $'000
Balance at January 1, 2022	1,325,425	293,753	1,619,178
Changes from financing cashflows			
Proceeds from borrowings	-	-	-
Repayment of borrowings	(221,887)	(96,214)	(318,101)
Interest paid	(4,436)	-	(4,436)
Total changes from financing cashflows	(226,323)	(96,214)	(322,537)
Other changes -Liability-related			
Non-cash repayments	-	(659)	(659)
New leases	-	-	-
Interest expense	54,689	12,977	67,666
Interest paid	(25,900)	-	(25,900)
	28,789	12,318	41,107
Total liability-related other changes			
Balance at December 31, 2022	1,127,891	209,857	1,337,748

	Loans and Borrowings $'000	Lease Liabilities $'000	Total $'000
Balance at January 1, 2021	2,213,169	386,526	2,599,695
Changes from financing cashflows			
Proceeds from borrowings	3,253	-	3,253
Repayment of borrowings	(406,531)	(78,648)	(485,179)
Interest paid	(15,607)	-	(15,607)
Total changes from financing cashflows	(418,885)	(78,648)	(497,533)
Other changes -Liability-related			
Non-cash repayments	(477,141)	-	(477,141)
New leases	-	3,486	3,486
Interest expense	78,170	17,799	95,969
Interest paid	(69,888)	(35,410)	(105,298)
	(468,859)	(14,125)	(482,984)
Total liability-related other changes			
Balance at December 31, 2021	1,325,425	293,753	1,619,178

During the year certain assets were disposed of in the amount of $25,900 (2021: $69,000) to extinguish interest expense to a related entity. This transaction did not result in an exchange of cash and is omitted from the cash flows above.

(Expressed in thousands of Trinidad and Tobago dollars)

23. Due to Related Parties

	2022 $'000	2021 $'000
Current accounts with related parties are as follows:		
Affiliates	128,893	129,389

The balance due to affiliates are unsecured and interest free. There are no fixed repayment terms. Affiliates are entities under common control.

24. End of Service Benefits

	2022 $'000	2021 $'000
At 1 January	19,726	18,056
Charge for the year	3,108	2,813
Paid during the year	(654)	(1,143)
Net exchange differences	(61)	-
	22,119	19,726

25. Provisions

	2022 $'000	2021 $'000
Provision for site restoration costs		
At 1 January	336,157	320,086
Unwinding of discount cost	15,733	16,071
	351,890	336,157

At the reporting date, the amount of $351,890 (2021: $336,157), represents the present value of management's best estimate of the future outflow of the economic benefits that will be required to remove the facilities and restore the affected land area on which OMC's plant is constructed. Management expects that the amount of present value of the provision created is sufficient to meet OMC's obligation at the end of the useful life of the project. This provision is determined by using a discounted cash flow basis at a rate of 5% per annum to ensure that by the year 2027 this amount will be equal to the costs estimated to restore the land to its original form.

(Expressed in thousands of Trinidad and Tobago dollars)

	2022	2021
	$'000	$'000
26. Accounts Payable		
Due to GORTT	42,926	14,669
Other payables	430,848	409,058
Accounts payables	32,865	4,326
EFPA maturities payable	46,660	-
Mutual fund surrenders payable	36,656	-
Managed fund obligation	5,622	5,622
	595,577	433,675

Included in other payables is $180,000 (2021: $180,000) due to the Mutual Funds.

	2022	2021
	$'000	$'000
27. Net Insurance Premium		
Insurance premium		
Long-term insurance contracts	136,639	125,080
Short-term insurance contracts	31,423	46,076
	168,062	171,156
Insurance premium ceded to reinsurers		
Long-term reinsurance contracts	(2,405)	(3,620)
Short-term reinsurance contracts	(2,818)	(1,104)
	(5,223)	(4,724)
Net insurance premium	162,839	166,432

	2022	2021
	$'000	$'000
28. Insurance Benefits and Claims		
Long-term insurance contracts		
- Death, maturity and surrender benefits	47,488	38,585
- Pensions and lump sum benefits	332,849	282,595
- Other terminations	363	378
	380,700	321,558
Short-term insurance contracts		
- Health benefits	8,433	21,396
- Death claims	23,547	15,678
	31,980	37,074
Insurance benefits and claims	412,680	358,632

(Expressed in thousands of Trinidad and Tobago dollars)

29. Cost of Sales

	2022 $'000	2021 $'000
Cost of gas consumed	872,060	854,922
Depreciation	167,930	127,825
Production overheads	70,414	93,458
Staff costs	68,837	65,272
Operational insurance	38,258	31,851
Stores and spares consumed	3,876	2,827
Change in inventory	(19,058)	25,528
	1,202,317	1,201,683

30. Investment Income

	2022 $'000	2021 $'000
Net income from financial instruments designated at FVTPL		
Government securities	88,677	42,854
Net income from financial instruments measured at FVOCI		
Short-term deposits	19	1,760
Government securities	353,837	362,119
Loans and advances	958	1,110
Equities	7,999	17,473
Rental income	11,933	12,962
Other income		
Bank accounts	11	11
Other income	118	10,960
	463,552	449,249

(Expressed in thousands of Trinidad and Tobago dollars)

31. Gain on Sale of Investments and Other Assets

	2022 $'000	2021 $'000
Property, plant and equipment	-	6
Government securities	-	-
Company securities	-	60,031
	-	60,037
Assets held for sale (Note 15)	-	-
	-	60,037

32. Other Income

	2022 $'000	2021 $'000
Administration charges - Group Health	566	343
D.A.C service fees	839	1,454
Exchange gains	2,287	2,859
Other	24,558	24,305
	28,250	28,961

33. Expenses for Administration

	2022 $'000	2021 $'000
Amortisation of intangible asset	2,083	426
Business travel and entertainment	701	284
Cargo insurance	2,912	5,092
Communication	1,020	859
Depreciation	16,432	16,667
Directors fees	1,407	552
Employee costs	74,882	51,766
General and administration expenses	17,198	18,610
Insurance expenses	641	318
Marketing	95,318	113,762
Net write-offs and write backs	(1,189)	4,405
Other expenses	33,636	46,549
Outward freight cost	423,458	313,753
Port operating expenses	7,065	8,034
Professional fees	61,109	51,519
Repairs and maintenance	3,089	3,460
Loss on disposal of asset	3,519	-
Withholding tax	110	18
	743,391	636,074

(Expressed in thousands of Trinidad and Tobago dollars)

34. Investment Contract Movements

	2022 $'000	2021 $'000
Deposit Administration funds	9,482	11,168
Managed Funds	24,966	31,256
Movement in EFPA		
- Due to policyholders not accepting GORTT offer	5,912	3,776
	40,360	46,200

35. Finance Costs, Net

	2022 $'000	2021 $'000
Finance Costs:		
Interest expense	58,593	82,947
Other finance costs, net	318	294
Interest on lease liabilities	12,977	17,799
Amortisation of deferred financing costs	1,753	1,772
Unwinding of discount – site restoration	16,779	16,006
	90,420	118,818
Finance Income:		
Interest income on deposits	(7,665)	(419)
Interest income from sub-lease right of use assets	(14,771)	(19,381)
	(22,436)	(19,800)
	67,984	99,018

36. Taxation

	2022 $'000	2021 $'000
(i) Tax expense for the year		
Current tax	121,493	175,860
Change in estimate related to prior year	(7,015)	-
	114,478	175,860
Deferred tax	(3,740)	143
Change in estimate related to prior year	1,662	-
Tax expense for the year	112,400	176,003

(Expressed in thousands of Trinidad and Tobago dollars)

36. **Taxation** (continued)

(ii) Tax reconciliation

The following is a reconciliation between tax and accounting profit multiplied by the applicable tax rate:

	2022 $'000	2021 $'000
Profit before taxation	780,133	1,244,224
Tax at the rate applicable to each line of insurance business	2,717	26,546
Tax calculated at domestic tax rates in Oman and St. Kitts	107,682	166,330
Tax effect of income not subject to tax	(124,309)	(139,821)
Tax effect of expenses not deductible	133,835	123,490
Tax effect of expenses not deductible	(2,173)	(542)
Change in estimate related to prior year - current tax	(7,014)	-
Change in estimate related to prior year - deferred tax	1,662	-
Tax expense	112,400	176,003

(iii) Deferred taxation

Deferred tax asset

	2022 $'000	2021 $'000
At the beginning of the year	16,462	17,314
Credited to equity	(9,462)	62
Charged to income statement	(1,534)	(914)
	5,466	16,462

Deferred tax liability

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 15% (2021: 15%). The deferred tax liabilities in the statement of financial position and its attendant deferred charge in the statement of profit and loss relates to the accelerated tax depreciation on property, plant and equipment.

(Expressed in thousands of Trinidad and Tobago dollars)

36. Taxation (continued)

(iii) Deferred taxation (continued)

	2022 $'000	2021 $'000
At the beginning of the year	101,708	102,458
Credited (charged) to statement of	(3,613)	(750)
Net exchange differences	(317)	-
	97,778	101,708

	Balance Brought Forward $'000	Charged to Equity $'000	Charged to Income Statement $'000	Balance Carried Forward $'000
December 31, 2022				
Accelerated tax depreciation	12	-	(1,534)	(1,522)
Short term reserves and unexpired risks	6,988	-	-	6,988
Unrealised gains on investments	9,462	(9,462)	-	-
	16,462	(9,462)	(1,534)	5,466

	Balance Brought Forward $'000	Charged to Equity $'000	Charged to Income Statement $'000	Balance Carried Forward $'000
December 31, 2021				
Accelerated tax depreciation	926	-	(914)	12
Short term reserves and unexpired risks	6,988	-	-	6,988
Unrealised gains on investments	9,400	62	-	9,462
	17,314	62	(914)	16,462

*During the year, management identified the error in recording deferred tax on fair value changes in gains or losses in equity investments. Dividend on equity investments do not attract taxation in Trinidad and Tobago and as a result will not affect future tax input in the disposal of such assets.

(Expressed in thousands of Trinidad and Tobago dollars)

37. Related Party Balances and Transactions

At the year end, the Group was 51% owned by CL Financial Limited (in liquidation) and 49% owned by the Government of the Republic of Trinidad and Tobago. A number of transactions are entered into with related parties in the normal course of business. The related party balances and transactions for the year are as follows:

	2022	2021
	$'000	$'000
Statement of Financial Position - Assets		
Fellow subsidiary companies		
Investment in associates	485,243	471,674
Loans and other receivables –accrued investment income	326,677	431,400
Associated companies		
Investment in associates	25,493	24,715
Government		
Assets held for sale	-	6,933,815
Investment securities	8,250,376	1,381,150
Other Related Party		
Purchase of property, plant and equipment	18,970	1,339
Total related party assets	9,106,759	9,244,093
Statement of Financial Position - Liabilities		
Government		
Debt securities issued	1,029,357	1,212,016
Lease liabilities	2,827	3,486
Accounts payable	43,800	15,034
Fellow subsidiary companies		
Due to related parties	128,893	129,389
Other related parties		
Mutual fund obligation	187,012	222,661
Total related party liabilities	1,391,889	1,582,586
Net assets with related parties	7,714,870	7,661,507

(Expressed in thousands of Trinidad and Tobago dollars)

	2022	2021
	$'000	$'000

37. Related Party Balances and Transactions (continued)

	2022 $'000	2021 $'000
Statements of Profit or Loss and Other Comprehensive Income - Income		
Fellow subsidiary companies		
Premiums	3,458	3,171
Revenue from contracts with customers	2,348,539	2,658,758
Government		
Investment income – bonds	408,017	404,528
Associated companies		
Investment income – dividends received	843	738
Total income from related parties	2,760,857	3,067,195
Statement of Profit or Loss – Expenses		
Government		
Interest on preference share - GORTT	54,157	78,152
Fellow subsidiary companies		
Insurance benefits	3,054	2,650
Medical services	34	36
Marketing fee	94,926	113,725
Other	55,827	131,668
Associated companies		
Advertising expense	11	11
Total expenses with related parties	208,009	326,242
Net profit from related parties	2,552,848	2,740,953
Key management compensation		
Salaries and other short-term benefit	22,715	20,451
Termination benefits	1,092	879

(Expressed in thousands of Trinidad and Tobago dollars)

38 Correction of Errors

During 2022, the Group discovered that the Group's investments in associates were erroneously measured at fair value. 'Fair value' is the price that would be received from the sale of an asset in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

Under IFRS Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

The Group has elected to correct this error by restating the comparatives for prior periods to reflect the application of these amendments. The statement of financial position was amended to demonstrate the impact of the retrospective application.

	Previously Report	Adjustment	As restated
	$	$	$
Consolidated Statement of Financial Position			
January 1, 2021			
Investment in associates	670,289	(178,872)	491,417
Others	13,121,441	-	13,121,441
Total assets	13,791,730	(178,872)	13,612,858
Valuation reserves	16,019	192,210	208,229
Share capital	(14,750)	-	(14,750)
Accumulated surplus	(1,242,077)	(13,338)	(1,255,415)
Equity and reserves attributable to owners	(1,240,808)	178,872	(1,061,936)
Non-controlling interest	(1,077,226)	-	(1,077,226)
Total equity	(2,318,034)	178,872	(2,139,162)
Total liabilities	(11,473,696)		(11,473,696)
Total equity and liabilities	(13,791,730)	178,872	13,612,858
December 31, 2021			
Investment in associates	742,003	(245,614)	496,389
Others	12,956,414	-	12,956,414
Total assets	13,698,417	(245,614)	13,452,803
Share capital	(14,750)	-	(14,750)
Valuation reserves	(35,797)	263,924	228,127
Accumulated surplus	(1,731,090)	(18,310)	(1,749,400)
Equity and reserves attributable to owners	(1,781,637)	245,614	(1,536,023)
Non-controlling interest	(1,215,957)	-	(1,215,957)
Total equity	(2,997,594)	245,614	(2,751,980)
Total liabilities	(10,700,823)	-	(10,700,823)
Total equity and liabilities	(13,698,417)	245,614	(13,452,803)
Consolidated Statement of Profit or Loss			
December 31, 2021			
Share of profit of equity-accounted investees, net of tax	-	3,345	3,345
Profit for the year	1,063,249	3,345	1,066,594
Consolidated Statement of Other Comprehensive Income			
Profit for the year	1,063,249	3,345	1,066,594
Equity-accounted investees – share of OCI	-	1,627	1,627
Others, net of tax	91,149		91,149
Total comprehensive income, net of tax	1,154,398	4.972	1,159,370

39. Contingent Assets, Liabilities and Commitments

(a) The Group had given a guarantee to the Supervisor of Insurance Barbados agreeing to indemnify policyholders against any losses suffered as a condition of the transfer of its long-term portfolio to a fellow subsidiary incorporated in Barbados.

(b) There were a number of legal proceedings pending against the Group at the reporting date. A loss reserve of $90,000 has been made (2019: $90,000). No further provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

(c) The subsidiary, Oman Methanol Company LLC, was exempt from income tax for a period of five years from the date of commencement of commercial operations, in accordance with the exemption notification received from the Ministry of National Economy dated November 11, 2004. As per the letter dated December 1, 2013 received from Secretariat General For Taxation (SGT), the net income of the Subsidiary from its main activity shall be exempted from income tax under Income Tax law from September 1, 2007 to August 31, 2012. Management believes that the date of commencement of commercial operations of the subsidiary was December 7, 2007 and hence the subsidiary's income was exempt from income tax from December 7, 2007 to December 6, 2012. The subsidiary's management has filed an appeal to the Primary Court in this regard and the Primary Court gave its verdict in favor of OMC but the Secretariat General for Taxation (SGT) has filed an appeal to the Supreme Court and the matter is now pending for hearing before Supreme Court.

Subsequent to the year end, the SGT finalised the tax assessment for the year ended 31 December 2012 on February 19, 2017 and demanded an additional tax amounting to TT$56,700 respect of taxable profits earned from September 1, 2012 to December 6, 2012. Management believes that the Supreme Court will rule in the Company's favour and therefore believes it is unlikely that any material tax liability will arise. Accordingly, no provision has been made in these consolidated financial statements on the profits earned from September 1, 2012 to December 6, 2012.

(d) Legal Action – CLICO Energy Limited, now Process Energy (Trinidad) Limited

In 2012 CLICO and CLF as Joint Claimants filed legal action against the purported purchaser of shares in CLICO Energy (Trinidad) Limited (CEL). 51% shareholding of CEL is held in the name of CLF, of which 17% of the shares is held in Trust by CLF for CLICO. The legal action sought to set aside the Purchase and Sale Agreement (PSA) that resulted in the sale of the CEL / (PETL) shares by CLF to the Purchaser and to restore the shareholdings to the status quo before the sale in 2009.

The Court delivered its judgement in September 2021. The Court declared the PSA between CLF and the Purchaser to be void. The Court ordered inter alia that : The Purchaser immediately restore or cause the restoration to CLF of the said 51% of the PETL shares.

The Purchaser provide an account of all dividends and/or distributions made by PETL in connection with the said PETL shares which are the subject of the proceedings from the date of acquisition of the same to the date of restoration of the said shares.

38. Contingent Assets, Liabilities and Commitments (continued)

(d) Legal Action – CLICO Energy Limited, now Process Energy (Trinidad) Limited (continued)

The Claimants repay to the Purchaser the proceeds of the purported sale in the purchase price with interest by December 2021.

The Purchaser and PETL have since appealed the Court's decision and have applied for a Stay of the Court's Order pending the determination of the Appeal.

(e) The value of outstanding purchase commitments of The subsidiary, Oman Methanol Company LLC as at 31 December 2022 amounts equivalent to $41,524 (31 December 2021: $ 38,509).

40. Long-term Sale and Purchase Agreements

(i) Long-term deliveries - Sale agreement

The subsidiary of MHIL, Oman Methanol Company LLC has entered into a long term off take agreement with Helm AG (Germany) for the full production capacity of the subsidiary's methanol plant, with 100% 'take-or-pay' clauses in favour of the subsidiary. By letter dated August 27, 2007, Helm AG notified the subsidiary of its intent to assign all quantities of methanol for Asian destinations to its affiliate C.P.C. Caribbean Petrochemical Company limited, Barbados (formerly known as Caribbean Petrochemical Corporation, Bermuda) which was approved by the Facility Agent on September 28, 2007 and subsequently by the subsidiary. By letter dated December 14, 2015, Helm AG notified the subsidiary of its intent to assign all quantities of methanol for the destinations Asia Pacific and Europe to its affiliate Global Petrochemical Distribution Limited (GPD) which was approved by the Facility Agent on December 21, 2015 and subsequently by Oman Methanol Company LLC. This arrangement with GPD remained effective for all sales done till 30 September 2022.

By letter dated 10 August 2022 Helm AG sought the subsidiary's consent to assign the MSA to Global Petrochemical Distribution Pte. Limited (Singapore) (GPD Singapore). This request was approved by the Facility Agent on 19 August 2022 and subsequently by the subsidiary. All export sales from 1 October 2022 are being done by GPD Singapore.

(Expressed in thousands of Trinidad and Tobago dollars)

40. Long-term Sale and Purchase Agreements (continued)

(i) Long-term deliveries - Sale agreement (continued)

	2022 $'000	2021 $'000
Disaggregation of revenue		
Geographical markets		
Within Oman	278,543	186,239
Outside Oman	2,264,231	2,657,507
	2,542,774	2,843,746
Major Products		
Methanol	2,542,774	2,843,746
Timing of revenue recognition		
Products transferred – point in time	2,542,774	2,843,746

(ii) Long-term gas supply agreement

The subsidiary of MHIL, Oman Methanol Company LLC is committed to a long-term 'take-or-pay' Gas Supply Agreement dated 18 August 2004 with the Government of the Sultanate of Oman, which provides the dedicated supply of gas required by the subsidiary for its long-term deliveries. The primary term of the contract is for 25 years from the date of Commercial production as detailed in the agreement.

41. Principal Associate Undertakings

Quoted	Country of Origin	Activity	Percentage Ownership* 2022 %	Percentage Ownership* 2021 %
LJ Williams Limited	Trinidad and Tobago	Trading	21	21
Unquoted				
CL World Brands Limited	Scotland	Beverage Manufacturing	42	42

* Percentage ownership equates to voting rights.

42. Principal Subsidiary Undertakings

Unquoted	Country of Origin	Activity	Percentage Ownership* 2022 %	2021 %
Methanol Holdings International Limited	St. Kitts and Nevis	Energy – Methanol	56.53	56.53
Premium Security Services Limited	Trinidad and Tobago	Security (Protective) Services	100	100

The subsidiaries year end is December 31.

* Percentage ownership equates to voting rights.

43. Events after the Reporting Date

To ensure compliance with regulatory requirements CLICO has embarked on the process to sell the portion of its MHIL shares outside regulations.