Separate Financial Statements of

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

December 31, 2016

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

December 31, 2016

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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 Responsibilities
Colonial Life Insurance Company (Trinidad) Limited

Management is responsible for the following:

- 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, 2016, the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information;
- Ensuring that the Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud, and the achievement of the Company's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that complies with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited 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. As a result, there is a material uncertainty that cast a significant doubt on the Company's ability to continue as a going concern. Management acknowledges this.

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

Wendy Ho Sing, Executive Chairman	Jacinta Sohun, Head, Finance
Date: June 13, 2017	Date: June 13, 2017

PRESCIENCE

Actuarial Certification pursuant to the Insurance Act of the Republic of Trinidad and Tobago

This actuarial certificate and opinion is provided in accordance with the requirements of the Insurance Act with respect to the long-term insurance business registered in Colonial Life Insurance Company (Trinidad) Limited ("the Company") as at December 31, 2016

I have examined the financial position and valued the long-term policy benefit liabilities of the Company for its balance sheet as at December 31, 2016 and the corresponding change in the long-term policy liabilities in the revenue account for the year then ended. I meet the appropriate qualification standards and am familiar with the valuation and capital adequacy requirements applicable to life insurance companies in Trinidad and Tobago

In my opinion

- The methods and procedures used in the verification of the valuation data are sufficient and reliable and fulfill the acceptable standards of care.
- The valuation of long-term policy liabilities has been made in accordance with generally accepted actuarial principles with such changes as determined and directions made by the Draft Insurance (Caribbean Policy Premium Method) Regulations.
- The methods and assumptions used to calculate the consolidated actuarial and other policy liabilities are appropriate to the circumstances of the Company and of the said policies and claims
- The long-term policy liabilities represented in the balance sheet of the Company amounting to $TT 8,652,194,000 makes proper provision for the future payments under the companies' policies and meets the requirements of the Act and any other Regulations made there-under, and
- A proper charge on account of these liabilities has been made in the revenue account.

Paul Ngai

Paul Ngai
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries
Principal & Consulting Actuary
Prescience Insurance Consultants & Actuaries

May 26, 2017
Date

KPMG
Chartered Accountants

Savannah East	Tel.:	(868) 612-KPMG
11 Queen's Park East		(868) 623-1081
P.O. Box 1328	Fax:	(868) 623-1084
Port of Spain	Email:	kpmg@kpmg.co.tt
Trinidad and Tobago, W.I.	Web:	www.kpmg.com/tt

Independent Auditors' Report
To the shareholders of
Colonial Life Insurance Company (Trinidad) Limited

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, 2016, the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2016, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following matters:

(a) Note 1 to the separate financial statements, which describes the amendment to the Central Bank Act that was passed by the Parliament of the Republic of Trinidad and Tobago and its implications for the Company.

(b) The preparation of the separate financial statements in accordance with International Financial Reporting Standards usually assumes that the Company will continue in operational existence for the foreseeable future. This means, inter alia, that the statements of financial position and profit or loss and other comprehensive income assume no intention or necessity to liquidate, or curtail the activities, of the Company. This is commonly referred to as the going concern basis. However, as described in Note 2(b), certain directives, issued by the Central Bank of Trinidad and Tobago (CBTT), have resulted in the curtailment of the Company's operations. This indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

KPMG

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

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

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

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

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

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

We communicate with 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
June 13, 2017

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Separate Statement of Financial Position

December 31, 2016

	Note	2016	2015
		$'000	**$'000**
ASSETS			
Property, plant and equipment	6	150,616	157,532
Investment properties	7	406,860	426,071
Investment in associates	8	1,879,765	2,073,196
Investment in subsidiaries	9	2,556,092	2,428,632
Investment securities	10	12,213,710	14,753,824
Due from related parties	11	1,713,086	1,742,095
Loans and other receivables	12	383,620	374,521
Bank and short-term deposits	13	1,035,250	1,781,152
Total assets		20,338,999	23,737,023
EQUITY			
Share capital	14	14,750	14,750
Accumulated deficit		(5,144,353)	(5,591,650)
Valuation reserves	15	4,218,962	4,420,104
Net deficit		(910,641)	(1,156,796)
LIABILITIES			
Insurance contracts	16	7,194,612	7,622,197
Investment contracts	17	4,106,075	7,455,597
Borrowings	18	190	296
Debt securities issued	19	4,992,751	4,992,751
Due to related parties	20	1,760,041	1,760,041
Mutual fund obligation	21	1,188,890	1,306,667
Accounts payable	22	2,007,081	1,756,270
Total liabilities		21,249,640	24,893,819
Total equity and liabilities		20,338,999	23,737,023

The accompanying notes are an integral part of these separate financial statements.

Director M. Miller

Director [signature]

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Separate Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2016

	Note	2016	2015
		$'000	$'000
Insurance premium revenue		231,633	280,323
Net reinsurance premium ceded		(5,317)	(9,436)
Net insurance premium revenue	23	226,316	270,887
Insurance benefits and claims	24	(427,811)	(483,996)
Expenses for the acquisition of insurance and investment contracts		(4,395)	(4,841)
Change in value of insurance contracts		429,954	692,320
Underwriting (expenses) credit		(2,252)	203,483
Net results from insurance activities		224,064	474,370
Investment income	25	621,760	808,643
Gain (loss) on sale of available-for-sale investments and other assets	26	774	(33,376)
Net fair value loss on assets at fair value through profit or loss		(43,321)	(20,274)
Loss on trading managed funds units		(10,569)	(68,487)
Administration and asset management fees		4,256	9,360
Impairment losses on financial assets	27	(17,770)	(114)
(Loss) gain on revaluation of investment properties		(19,880)	14,949
Other income (expenses), net		102,223	(2,336)
Net results from investing activities		637,473	708,365
Expenses for administration	28	(127,331)	(70,890)
Investment contract movements	29	(83,208)	5,667
Revaluation gain on managed funds liabilities		43,321	20,274
Operating expenses		(167,218)	(44,949)
Results of operating activities		694,319	1,137,786
Finance costs	30	(238,064)	(237,342)
Operating profit before tax		456,255	900,444
Taxation	31	(8,958)	(6,176)
Profit for the year		447,297	894,268

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Separate Statement of Profit or Loss and Other Comprehensive Income (continued)

For the year ended December 31, 2016

	Note	2016	2015
		$'000	**$'000**
Profit for the year		447,297	894,268
Other comprehensive income, net of tax			
Items that are or maybe reclassified to profit or loss			
Fair value reserve:			
- Net change in fair value of marketable securities and revaluation reserves for property	15	(212,342)	(1,130,310)
Total comprehensive income, net of tax		234,955	(236,042)

The accompanying notes 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, 2016

	Share Capital $'000	Accumulated Deficit $'000	Valuation Reserves $'000	Total $'000
Year ended December 31, 2016				
Balance at January 1, 2016	14,750	(5,591,650)	4,420,104	(1,156,796)
Profit for the year	-	447,297	-	447,297
Other comprehensive income, net of tax				
Fair value reserve				
- Net change in fair value of available-for-sale securities	-	-	(211,252)	(211,252)
- Net movement in revaluation reserves for property	-	-	(1,090)	(1,090)
Total comprehensive income	-	447,297	(212,342)	234,955
Transactions with owners of the Company				
Net movement in trustee's units held in Managed Funds	-	-	11,200	11,200
Balance at December 31, 2016	**14,750**	**(5,144,353)**	**4,218,962**	**(910,641)**
Year ended December 31, 2015				
Balance at January 1, 2015	14,750	(6,485,918)	5,537,369	(933,799)
Profit for the year	-	894,268	-	894,268
Other comprehensive income, net of tax				
Fair value reserve				
- Net change in fair value of available-for-sale securities	-	-	(1,133,882)	(1,133,882)
- Fair value gains on property	-	-	3,572	3,572
Total comprehensive income	-	894,268	(1,130,310)	(236,042)
Transactions with owners of the Company				
Net movement in trustee's units held in Managed Funds	-	-	13,045	13,045
	-	-	13,045	13,045
Balance at December 31, 2015	**14,750**	**(5,591,650)**	**4,420,104**	**(1,156,796)**

The accompanying notes 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, 2016

	2016	2015
	$'000	$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	456,255	900,444
Adjustments for:		
Depreciation	6,640	6,387
Provision	2,229	-
Exchange (gains) losses on translation of non-monetary assets	(9,976)	18,235
Loss (gain) on revaluation of investment properties	19,880	(14,949)
Gain on revaluation of property, plant and equipment	-	(4,433)
Investment income	(621,760)	(808,643)
Loss on disposal of property, plant and equipment	-	3,500
Gain on disposal of investment property	-	(1,170)
Interest (gain) expense on mutual fund obligation	(117,777)	114
Reversal of impairment of financial assets	-	(1,306,554)
Change in actuarial valuation	(372,116)	(473,107)
Loss on trading Managed Funds units	11,371	48,213
Shareholders' funds transferred (to) from Managed Funds	(11,200)	13,045
Interest on debt security issued	237,808	237,156
Fair value loss through profit or loss	156,726	21,010
Operating loss before changes in working capital	(241,920)	(1,360,752)
Change in insurance contracts	31,116	(221,764)
Change in investment contracts	(3,432,729)	(4,976,217)
Change in loans and receivables	(3,763)	43,497
Change in accounts payable	7,359	11,751
Change in amounts due from related parties	29,008	1,313,897
Taxes paid	(12,136)	(4,613)
Net cash used in operating activities	(3,623,065)	(5,194,201)
CASH FLOW FROM FINANCING ACTIVITIES		
Net repayment of borrowings being net cash used in financing activities	(106)	(106)

Separate Statement of Cash Flows (continued)

For the year ended December 31, 2016

	Note	2016	2015
		$'000	$'000
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(3,411)	(13,183)
Purchase of investment property		(320)	(4,089)
Proceeds from disposal of property, plant and equipment		2,250	207
Proceeds from sale of investment properties		-	14,022
Proceeds from disposal of investment securities		3,316,350	7,393,702
Dividends received		130,158	335,286
Interest received		484,038	473,082
Purchase of investment securities		(1,051,795)	(3,183,158)
Change in fixed deposits maturing more than 3 months		232,296	48,893
Net cash from investing activities		3,109,566	5,064,762
Decrease in cash and cash equivalents		(513,605)	(129,545)
CASH AND CASH EQUIVALENTS AT START OF YEAR		1,512,889	1,642,434
CASH AND CASH EQUIVALENTS AT END OF YEAR		999,284	1,512,889
CASH AND CASH EQUIVALENTS REPRESENTED BY			
Deposits maturing less than three months	13	653,042	1,158,366
Cash at bank	13	346,242	354,523
		999,284	1,512,889

The accompanying notes are an integral part of these separate financial statements.

1. General Information

Colonial Life Insurance Company (Trinidad) Limited (the Company or CLICO) is incorporated in the Republic of Trinidad and Tobago and carries on long term, group and annuity business for customers inside and outside of Trinidad and Tobago.

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. The registered offices of the Company are located at 29 St Vincent Street, Port of Spain. Effective February 13, 2009, the Central Bank of Trinidad and Tobago (CBTT) assumed control of the Company pursuant to the exercise of its emergency powers under section 44D of the Central Bank Act.

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 payout process as outlined in the Budget Speech.

The first phase of the pay-out was started in March 2011 with payments to EFPA/GAAP/GAP policyholders with balances under $75,000. The second phase of the pay-out to EFPA/GAAP/GAP policyholders with policies over $75,000 in value started 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. 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. The carrying value of CLICO's traditional liabilities in the accounts for December 31, 2016 was within the range provided in this independent valuation. As at the reporting date, an independent third party had been engaged to manage the sale process.

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 will meet the full payments on contractual liability under these policies.

These separate financial statements have been prepared for regulatory purposes. The Company also prepares consolidated financial statements in accordance with IFRS 10 – Consolidated Financial Statements.

The financial statements for December 31, 2016 were approved for issue on June 13, 2017 by the Board of Directors of the Company.

2. Basis of Preparation

(a) *Statement of compliance*

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(b) *Basis of measurement*

The financial statements have been prepared on the historical cost basis except for land and buildings, available-for-sale financial assets, investment properties and financial assets and financial liabilities at fair value through profit or loss, which are all measured at fair value.

These financial statements have been prepared taking into account directives issued by the CBTT to the Company during 2014 namely that –

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

2. Basis of Preparation (continued)

(c) 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.

(d) 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 financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Foreign currency translation

Transactions and balances

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

3. Significant Accounting Policies (continued)

(a) Foreign currency translation (continued)

Transactions and balances (continued)

Translation differences on non-monetary assets and liabilities, such as investments held at fair value through profit or loss, are reported in the statement of profit or loss and other comprehensive income as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are recognised in other comprehensive income, and included in the valuation reserve in equity.

(b) Property, plant and equipment

Land and buildings comprise mainly agency outlets and offices occupied by the Company. Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent appraisers, carried out at varying dates during the triennium, 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.

All other property, plant 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.

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.

Increases in the carrying amount on revaluation of land and buildings are recognised in other comprehensive income and accumulated under revaluation surplus in the shareholders' equity. 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, plant and equipment (continued)

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	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%

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

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 profit or loss.

(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 annually by the Company's management and reviewed triennially by independent professionally qualified appraisers.

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

3. Significant Accounting Policies (continued)

(c) Investment properties (continued)

If an item of property, plant 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, plant 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 retained earnings; the transfer is not made through profit or loss.

(d) Investments in subsidiaries and associates

Subsidiaries are entities controlled by the Group. The Group 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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 available-for-sale and are stated at fair value based on quoted closing market prices.

Investments in unquoted subsidiaries and associated companies are classified as available-for-sale and are stated at fair value using valuation techniques and allowance for impairment.

(e) Financial assets and liabilities

Financial instruments carried on the statement of financial position include bank and short-term deposits, investment securities, loans, due from related parties, other receivables, insurance and investment contracts, borrowings, mutual fund obligations, debt security in issue, accounts payable and due to related parties. The standard treatment for recognition, derecognition, classification and measurement of the Company's financial instruments is noted below in notes (i) – (iv), whilst, additional information on specific categories of the Company's financial instruments is discussed in Notes 3(g) and 3(j) – 3(k).

(i) Recognition

The Company initially recognises loans receivable and policy holder's liabilities on the date that they were originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date, that is, the date at which the Company becomes a party to the contractual provisions of the instrument.

3. Significant Accounting Policies (continued)

(e) Financial assets and liabilities (continued)

(ii) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the 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. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

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

Realised gains and losses arising from derecognition of a financial asset measured as available-for-sale are transferred from the investment revaluation reserve and included in profit or loss in the period in which they are derecognised.

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

(iii) Classification

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss; loans and receivables; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held-for-trading and those designated at fair value through profit or loss at inception.

A financial asset is classified into the 'financial assets held-for-trading' category at inception if acquired principally for the purpose of selling in the short term and, if it forms part of a portfolio of financial assets in which there is evidence of short term profit-taking, or if so designated by management.

3. Significant Accounting Policies (continued)

(e) Financial assets and liabilities (continued)

(iii) Classification (continued)

Financial assets designated as at fair value through profit or loss at inception are those that are held in internal funds to back investment contract liabilities that are valued based on changes in the fair value of these assets and whose performance is evaluated on a fair value basis.

Assets held for the Managed Funds (Note 17) are designated as financial assets at fair value through profit or loss. The Company does not hold any assets classified as held-for-trading.

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money or services directly to a debtor with no intention of trading the receivable.

Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

(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 available-for-sale assets 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 to sell 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.

3. Significant Accounting Policies (continued)

(e) Financial assets and liabilities (continued)

(iv) Measurement (continued)

Financial assets (continued)

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.

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. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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.

Gains and losses arising from the change in the fair value of available-for-sale investments subsequent to initial recognition are accounted for as changes in the investment revaluation reserve with subsequent re-measurements recognised in other comprehensive income.

Gains and losses, both realised and unrealised, arising from the change in the financial assets at fair value through profit or loss are reported in other income.

3. **Significant Accounting Policies** (continued)

(e) ***Financial assets and liabilities*** (continued)

(iv) Measurement (continued)

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 are 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) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The 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.

(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.

3. Significant Accounting Policies (continued)

(e) ***Financial assets and liabilities*** (continued)

(vii) Amortised cost measurement (continued)

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.

(f) ***Impairment of assets***

i) Financial assets carried at amortised cost

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Company about the following events:

i. Significant difficulty of the issuer or debtor;

ii. A breach of contract, such as a default or delinquency in payments;

iii. It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;

iv. The disappearance of an active market for that financial asset because of financial difficulties; or

v. Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:

   a. adverse changes in the payment status of issuers or debtors in the Company; or
   b. national or local economic conditions that correlate with defaults on the assets in the Company.

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

3. **Significant Accounting Policies** (continued)

(f) ***Impairment of assets*** (continued)

i) *Financial assets carried at amortised cost* (continued)

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

ii) *Financial assets carried at fair value*

The Company assesses at each reporting date whether there is objective evidence that an available-for-sale financial asset is impaired, including, in the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not subsequently reversed. The impairment loss is reversed through profit or loss if in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

iii) *Impairment of non-financial assets*

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. 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.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(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.

3. Significant Accounting Policies (continued)

(g) *Cash and cash equivalents* (continued)

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.

(h) *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.

(i) *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.

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 and Group Annuity contracts – These include deferred or immediate annuity 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.

3. Significant Accounting Policies (continued)

(i) Insurance contracts (continued)

1) Recognition and measurement (continued)

Long-term insurance contracts (continued)

iii. Individual and Group Annuity contracts (continued)

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 are expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the 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.

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.

3. **Significant Accounting Policies** (continued)

(i) ***Insurance contracts*** (continued)

1) **Recognition and measurement** (continued)

Short-term insurance contracts (continued)

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 16.2.

3) **Outstanding claims**

Provision for outstanding claims and the related costs of settlement are based on incidents reported before the end of the financial year and include appropriate provisions for claims incurred but not yet reported. Estimates are continually revised as more information becomes available and for the effects of anticipated inflation. Adjustments arising on these revisions are included with claims expense in the current 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.

3. Significant Accounting Policies (continued)

(i) Insurance contracts (continued)

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.

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.

(j) 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 EFPA/GAP/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'.

3. **Significant Accounting Policies** (continued)

(j) ***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 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.

EFPA/GAP/GAAPP policies

This is a flexible single premium accumulation annuity product. GAP policies are corporate owned EFPAs and GAAPP policies was a new group of single premium deferred accumulation annuity policies introduced in 2008. The terms of these policies could have been extended at the option of the policyholder for another term and at an interest rate determined by the Company. Additional premiums attracted the prevailing interest rate at the time. The interest accruing to policyholders is recorded as an investment contract expense.

(k) 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.

(l) Current and deferred income tax

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 Statutory Fund 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.

3. **Significant Accounting Policies** (continued)

(l) ***Current and deferred income tax*** (continued)

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.

(m) 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.

(n) Revenue recognition

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.

Investment income

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

3. Significant Accounting Policies (continued)

(n) Revenue recognition (continued)

Rental income is recognised on the accrual basis.

Investment income is allocated between the shareholders' and policyholders' funds based on the ratio which the average of each individual fund bears to the total average fund for the year.

(o) 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.

(p) Finance leases

Leases of equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charge so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligation, net of finance charges is included in borrowings. The interest is charged to profit or loss over the lease period. The equipment acquired under the finance lease is depreciated over the shorter of the useful life of the asset and the lease term.

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

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

- IAS 1, *Presentation of Financial Statements* has been amended to clarify or state the following:
  - Specific single disclosures that are not material do not have to be presented even if they are the minimum requirements of a standard.
  - The order of notes to the financial statements is not prescribed.
  - Line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material.
  - Specific criteria are now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI.

3. **Significant Accounting Policies** (continued)

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

- IAS 1, *Presentation of Financial Statements* (continued)
  - The presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the IAS 1 approach of splitting items that may, or that will never be, reclassified to profit or loss.

- IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation*, are amended as follows:
  - The amendment to IAS 16, *Property, Plant and Equipment* explicitly states that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.
  - The amendment to IAS 38, *Intangible Assets* introduces a rebuttable presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.

- IAS 16, *Property, Plant and Equipment*, and IAS 41, *Biological Assets* require a bearer plant, defined as a living plant, to be accounted for as property, plant and equipment and included in the scope of IAS 16 instead of IAS 41. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41.

- Amendments to IAS 27, *Equity Method in Separate Financial Statements* allow the use of the equity method in separate financial statements, and apply to the accounting for subsidiaries, associates, and joint ventures.

- Amendments to IFRS 10, *Consolidated Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures*, in respect of *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* require that when a parent loses control of a subsidiary in a transaction with an associate or joint venture, the full gain be recognised when the assets transferred meet the definition of a 'business' under IFRS 3, *Business Combinations*.

- Amendments to IFRS 11, *Accounting for Acquisitions of Interests in Joint Operations* require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value but previously held interests will not be remeasured.

3. **Significant Accounting Policies** (continued)

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

- IFRS 10, *Consolidated Financial Statements*, IFRS 12, *Disclosure of Interests in Other Entities* and IAS 28, *Investments in Associates and Joint Ventures* have been amended to introduce clarifications on which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit or loss. IFRS 10 was amended to confirm that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity. An investment entity shall measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. IAS 28 was amended to provide an exemption from applying the equity method for investment entities that are subsidiaries and that hold interests in associates and joint ventures. IFRS 12 was amended to clarify that the relevant disclosure requirements in the standard apply to an investment entity in which all of its subsidiaries are measured at fair value through profit or loss.

- *Improvements to* IFRS *2012-2014* Cycle contain amendments to certain standards and interpretations applicable to the Company as follows:

  - IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* has been amended to clarify that if an entity changes the method of disposal of an asset or disposal group – i.e. reclassifies an asset or disposal group from held-for-distribution to owners to held-for-sale or vice versa without any time lag, then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset or disposal group and recognises any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute the asset or disposal group. If an entity determines that an asset or disposal group no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.

  - IFRS 7, *Financial Instruments: Disclosures,* has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognised in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset -e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.

3. **Significant Accounting Policies** (continued)

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

- *Improvements to* IFRS *2012-2014* Cycle (continued)
  - IFRS 7 (continued)
  - IFRS 7 has also been amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets* and *Financial Liabilities (Amendment to IFRS 7)* are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of IAS 34, *Interim Financial Reporting*, require their inclusion.
  - IAS 19, *Employee Benefits,* has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high-quality corporate bonds should be assessed at the currency level and not the country level.
  - IAS 34, *Interim Financial Reporting,* has been amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report". The interim financial report is incomplete if the interim financial statements and any disclosures incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time.

The adoption of these amendments did not result in any change to the presentation and disclosures in the financial statements.

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

Certain new, revised and amended standards and interpretations have been issued which are not yet effective for the current year and which the Company has not early-adopted. The Company has assessed the relevance of all such new standards, amendments and interpretations with respect to the Company's operations and has determined that the following are likely to have an effect on the financial statements.

- Amendments to IAS 7, *Statement of Cash Flows*, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

The Company is assessing the impact that this amendment will have on its 2017 financial statements.

3. **Significant Accounting Policies** (continued)

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

- Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:

    - The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

    - A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.

    - Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.

    - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

    - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

  The Company is assessing the impact that this amendment will have on its 2017 financial statements.

- Amendments to IFRS 2, *Classification and Measurement of Share-based Payment Transactions,* effective for annual reporting periods beginning on or after January 1, 2018, clarifies the following:

  (i) Cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments.ie the modified grant date method. The new requirements do not change the cumulative amount of expense that is ultimately recognised, because the total consideration for a cash-settled share-based payment is still equal to the cash paid on settlement.

  (ii) For classification purposes, an exception is made for a share-based payment transaction with employees to be accounted for as equity settled if:

    (a) the terms of the arrangement permit or require a company to settle the transaction net by withholding a specified portion of the equity instruments to meet the statutory tax withholding requirement and;

    (b) the entire share-based payment transaction would otherwise be classified as equity-settled if there were no net settlement feature.

3. **Significant Accounting Policies** (continued)

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

- Amendments to IFRS 2

  (iii) The approach in accounting for a modification of a share-based payment from cash-settled to equity-settled.

  The new requirements could affect the classification and/or measurement of these arrangements – and potentially the timing and amount of expense recognised for new and outstanding awards.

  The Company is assessing the impact that this amendment will have on its 2018 financial statements.

- Amendments to IFRS 4, *Insurance Contracts*, provide two optional solutions to reduce the impact of the differing effective dates of IFRS 9, *Financial Instruments* (effective January 1, 2018*)*, and IFRS 4, *Insurance Contracts (*expected to be effective in 2020 or later*)* as follows*:*

  (i) Temporary exemption from IFRS 9:

  - Rather than having to implement IFRS 9 in 2018, some companies will be permitted to continue to apply IAS 39 *Financial Instruments: Recognition and Measurement.*
  - To qualify, a reporting company's activities need to be predominantly connected with insurance.

  Entities applying the temporary exemption will need to disclose fair value information separately for financial assets that meet the exemption criteria and for all other financial assets.

  (ii) Overlay approach:

  For designated financial assets, a company is permitted to reclassify between profit or loss and other comprehensive income (OCI), the difference between the amounts recognised in profit or loss under IFRS 9 and those that would have been reported under IAS 39.

  There will be new qualitative and quantitative disclosure requirements to describe how the adjustment is calculated and the effect on the financial statements.

  The Company is assessing the impact that this amendment will have on its 2018 financial statements.

3. Significant Accounting Policies (continued)

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

- IFRS 9, *Financial Instruments,* which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

The Company is assessing the impact that this amendment will have on its financial 2018 statements.

- IFRS 15, *Revenue From Contracts With Customers*, effective for accounting periods beginning on or after January 1, 2018, replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes,* IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services.* It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two entities in the same line of business exchange non-monetary assets to facilitate sales to other parties.

  The Company will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

  There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

  The Company is assessing the impact that this amendment will have on its 2018 financial statements.

3. **Significant Accounting Policies** (continued)

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

- IFRS 16, *Leases,* which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Entities will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short- term leases and for low-value items with value of US$5,000 or less.

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

  Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* is also adopted. The Company is assessing the impact that this amendment will have on its 2019 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 judgments are continually evaluated, based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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.

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)

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 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 16 to these financial statements.

4.2 Impairment of financial assets

Management makes assumptions and uses judgement in estimating the impact of identified loss events on future cash flows from financial assets or groups of financial assets.

Based on the objective evidence of identified loss events the Company determines whether certain assets are impaired. Impairment losses recognised represent management's best estimate of the impact of identified loss events on the future cash flows expected from the respective financial assets.

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

4.2 Impairment of financial assets (continued)

If the amount or timing of the expected cash flows varies from management's estimate the impairment losses actually incurred may be different from the amount recognised in the financial statements.

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

4.3 Valuation of financial instruments

The Company's accounting policy on fair value measurements is set out in Note 3(e).

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 instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments 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 instruments 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 instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments 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 Valuation of financial instruments (continued)

The table below 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:

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
December 31, 2016					
Investment in associates	8	1,009,572	870,193	-	1,879,765
Investment in subsidiaries	9	-	2,556,092	-	2,556,092
Investment securities	10	12,203,547	-	10,163	12,213,710
December 31, 2015					
Investment in associates	8	1,089,460	983,737	-	2,073,196
Investment in subsidiaries	9	-	2,428,632	-	2,428,632
Investment securities	10	14,752,402	-	1,422	14,753,824

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).

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. Operational risk
iii. Credit risk
iv. Liquidity risk
v. Market risk.

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 Board of Directors submits monthly reports to the Governor of the Central Bank.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Investment/Asset Recovery Committee and the Audit Committee were established by the Board. Day to day management of insurance and financial risks is executed by the Company's management team. The Company also has a clear organisational structure with delegated authorities and responsibilities for executive management and senior management.

During the year, there were improvements to the risk management framework which included the establishment of an Operational Risk Committee, re-establishment of the Credit, Interest and Liquidity Committees and the implementation of a program for Anti-Money Laundering and Counter Terrorist Financing. The focus for 2017 will be to maintain these committees and continue to work on relevant risk mitigations.

5. Insurance and Financial Risk Management (continued)

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

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The 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.

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.

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) (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.

	2016	
	$'000	**%**
Insured benefits per life $'000		
0-200	4,516,240	68.96
201-400	1,312,776	20.05
401-800	442,891	6.76
801-1,000	162,231	2.48
More than 1,001	114,872	1.75
Total	6,549,010	100.00

	2015	
	$'000	**%**
Insured benefits per life $'000		
0-200	5,060,729	68.03
201-400	1,423,499	22.41
401-800	484,672	5.15
801-1,000	176,937	1.29
More than 1,001	142,042	3.12
Total	7,287,879	100.00

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.

	2016	
	$'000	**%**
Annuities payable per annum per life		
0-20,000	98,696	52.00
21,000-40,000	36,402	19.00
41,000-80,000	28,751	15.00
81,000-100,000	5,058	3.00
More than 101,000	20,494	11.00
Total	189,401	100.00

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

	2015	
	$'000	**%**
Annuities payable per annum per life		
0-20,000	97,215	51.00
21,000-40,000	36,249	19.00
41,000-80,000	27,590	15.00
81,000-100,000	5,337	3.00
More than 101,000	22,788	12.00
Total	189,179	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 (such as AIDS) 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

Actual Death Claims Compared with Estimated Death Claims

	Expected Claims TT$	Actual Claims TT$
2005	7.9 million	6.6 million
2006	8.6 million	9.2 million
2007	9.5 million	9.1 million
2008	13.2 million	15.0 million
2009	13.7 million	4.8 million
2010	15.3 million	3.9 million
2011	17.5 million	8.9 million
2012	17.3 million	7.2 million
2013	17.0 million	6.2 million
2014	17.4 million	2.7 million
2015	18.3 million	4.2 million
2016	19.2 million	3.0 million

Insurance risk for contracts disclosed in this note 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 money 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.

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

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.

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.

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 (continued)

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.

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. Insurance and Financial Risk Management (continued)

5.3 Financial risk

The Company is exposed to a range of financial risks through its financial assets, financial liabilities (investment contracts 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. In 2009 several financial risks materialised resulting in the Central Bank of Trinidad and Tobago intervening under Section 44D of the Central Bank Act, as described in Note 1. During 2015 these materialised risks continued to adversely affect the Company. 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 and investments and related parties. This is one of the materialised risks with the Company unable to secure timely repayment of several of its advances.

The Company has a risk grading structure for the financial assets held at the reporting period. This risk grading structure places financial assets into one of four categories:

1 Grade 1: Low risk- Cash, Blue Chip Stocks and Government Securities.

2 Grade 2: Medium Risk- Securities issued by and receivables from performing private companies.

3 Grade 3: High Risk- Securities issued and receivables that are past due but not impaired.

4 Grade 4: Securities issued that management considers to be impaired.

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.1 *Credit risk* (continued)

Management of credit risk (continued)

Credit risk table

	Carrying Amounts			
	Neither past Due nor Impaired	Past due not impaired	Impaired	Total
	$'000	$'000	$'000	$'000
As at December 31, 2016				
Investment Securities				
Grade 1	12,203,547	-	-	12,203,547
Grade 2	-	-	-	-
Grade 3	-	10,163	-	10,163
Grade 4	-	-	1,315,208	1,315,208
Impairment	-	-	(1,315,208)	(1,315,208)
	12,203,547	10,163	-	12,213,710
Due from Related Parties				
Grade 3	-	1,699,321	-	1,699,321
Grade 4	-	-	4,876,511	4,876,511
Impairment	-	-	(4,862,746)	(4,862,746)
	-	1,699,321	13,765	1,713,086
Loans and Other Receivables				
Grade 1	145,291	-	-	145,291
Grade 2	18,436	194,200	-	212,636
Grade 3	-	27,679	-	27,679
Grade 4	-	-	362,732	362,732
Impairment	-	-	(364,718)	(364,718)
	163,727	221,879	(1,986)	383,620
Bank and Short-term Deposits				
Grade 1	1,035,250	-	-	1,035,250
Total	13,402,524	1,931,363	11,799	15,345,666

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.1 *Credit risk* (continued)

Management of credit risk (continued)

Credit risk table

	Neither past Due nor Impaired	Carrying Amounts Past due not impaired	Impaired	Total
	$'000	$'000	$'000	$'000
As at December 31, 2015				
Investment Securities				
Grade 1	14,752,402	-	-	14,752,402
Grade 2	-	-	-	-
Grade 3	-	1,422	-	1,422
Grade 4	-	-	1,315,208	1,315,208
Impairment	-	-	(1,315,208)	(1,315,208)
	14,752,402	1,422	-	14,753,824
Due from Related Parties				
Grade 3	-	1,699,321	-	1,699,321
Grade 4	-	-	4,996,132	4,996,132
Impairment	-	-	(4,953,358)	(4,953,358)
	-	1,699,321	42,774	1,742,095
Loans and Other Receivables				
Grade 1	137,721	-	-	137,721
Grade 2	36,914	187,947	-	224,861
Grade 3	-	11,689	-	11,689
Grade 4	-	-	362,739	362,739
Impairment	-	-	(362,489)	(362,489)
	174,635	199,636	250	374,521
Bank and Short-term Deposits				
Grade 1	1,781,152	-	-	1,781,152
Total	16,708,189	1,900,379	43,024	18,651,592

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.1 *Credit risk* (continued)

Collateral

The Company holds collateral against loans and advances in the form of mortgages over properties, other registered securities over assets and guarantees. Estimates of fair value are based on the value of the collateral assessed at the time of borrowing and generally are not updated except when a financial asset is individually assessed as impaired. Collateral usually is not held against financial assets and no such collateral was held at December 31, 2016 or 2015.

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.

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 and insurance liabilities.

Maturity analysis for non derivative cash flows

As at December 31, 2016

Contractual undiscounted cash flows

	Within 1 Year	1-5 Years	Over 5 Years	Total	Carrying Values
	$'000	$'000	$'000	$'000	$'000
Investment contracts	2,608,620		1,497,455	4,106,075	4,106,075
Borrowings	190	-	-	190	190
Debt securities issued	-	-	4,992,751	4,992,751	4,992,751
Due to related parties	1,760,041	-	-	1,760,041	1,760,041
Accounts payable	2,007,081	-	-	2,007,081	2,007,081
Total financial liabilities	6,375,932	-	6,490,206	12,866,138	12,866,138

Expected undiscounted cash flows

	Within 1 Year	1-5 Years	Over 5 Years	Total	Carrying Values
	$'000	$'000	$'000	$'000	$'000
Ordinary life	44,596	117,822	1,122,707	1,285,125	670,170
FPA	395,832	607,074	3,518,578	4,521,484	3,078,602
Annuities	228,266	892,993	4,775,569	5,896,828	3,387,090
Long term insurance	668,694	1,617,889	9,416,854	11,703,437	7,135,862
Short term insurance	24,189	-	-	24,189	24,189
Deposits and premiums paid in advance	(49)	-	-	(49)	(49)
Claims admitted or intimated but not yet paid	34,610	-	-	34,610	34,610
Total	727,444	1,617,889	9,416,854	11,762,187	7,194,612

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

As at December 31, 2015

Contractual undiscounted cash flows

	Within 1 Year	1-5 Years	Over 5 Years	Total	Carrying Values
	$'000	$'000	$'000	$'000	$'000
Investment contracts	5,970,982	-	1,479,226	7,450,208	7,455,597
Borrowings	296	-	-	296	296
Debt securities issued	-	-	4,992,751	4,992,751	4,992,751
Due to related parties	1,760,041	-	-	1,760,041	1,760,041
Accounts payable	1,756,270	-	-	1,756,270	1,756,270
Total financial liabilities	9,487,589	-	6,471,977	15,959,566	15,964,955

Expected undiscounted cash flows

	Within 1 Year	1-5 Years	Over 5 Years	Total	Carrying Values
	$'000	$'000	$'000	$'000	$'000
Ordinary life	28,012	124,514	1,264,087	1,416,613	700,233
FPA	379,424	651,468	3,483,026	4,513,918	3,311,612
Annuities	225,063	884,153	4,975,320	6,084,536	3,554,789
Long term insurance	632,499	1,660,135	9,722,433	12,015,067	7,566,634
Short term insurance	23,372	-	-	23,372	23,372
Deposits and premiums paid in advance	(3,031)	-	-	(3,031)	(3,031)
Claims admitted or intimated but not yet paid	35,222	-	-	35,222	35,222
Total	688,062	1,660,135	9,722,433	12,070,630	7,622,197

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.2 *Liquidity risk* (continued)

Exposure to liquidity risk (continued)

Maturity analysis for derivative financial assets and liabilities

	Within 1 Year	1-5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000
As at December 31, 2016				
Financial Liabilities				
Mutual Fund obligation	1,188,890	-	-	1,188,890
As at December 31, 2015				
Financial Liabilities				
Mutual Fund obligation	1,306,667	-	-	1,306,667

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

During 2016, the management of market risk was undertaken mainly at the departmental 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)

5.3.3 *Market risk* (continued)

Management of market 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.

- *Property price risk*

  The Company is subject to property price risk due to its holdings of investment properties in a variety of locations in Trinidad and Tobago. The investment in property is managed by the Properties Department by reference to the latest housing market information and regular valuations. This area is also subject to local regulations on asset admissibility, liquidity requirements and the expectations of policyholders. Sensitivity to changes in property 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 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 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.

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 Company's assets and liabilities to show the interest-rate gap.

	Up to 1 Year $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
As at December 31, 2016					
Assets					
Property, plant and equipment	-	-	-	150,616	150,616
Investment properties	-	-	-	406,860	406,860
Investments in associates	-	-	-	1,879,765	1,879,765
Investments in subsidiaries	-	-	-	2,556,092	2,556,092
Investment securities	178,930	1,085,455	8,272,119	2,677,206	12,213,710
Due from related parties	-	-	-	1,713,086	1,713,086
Loans and other receivables	4,801	13,636	208,480	156,703	383,620
Cash and cash equivalents	1,035,250	-	-	-	1,035,250
Total financial assets	1,218,981	1,099,091	8,480,599	9,540,328	20,338,999
Liabilities					
Insurance contracts	16,192	95,853	3,374,446	3,708,121	7,194,612
Investment contracts	2,608,620	-	448,574	1,048,881	4,106,075
Borrowings	190	-	-	-	190
Debt securities issued	-	-	-	4,992,751	4,992,751
Due to related parties	-	-	-	1,760,041	1,760,041
Mutual fund obligation	-	-	-	1,188,890	1,188,890
Accounts payable	-	-	-	2,007,081	2,007,081
Total financial liabilities	2,625,002	95,853	3,823,020	14,705,765	21,249,640
Periodic GAP	(1,406,021)	1,003,238	4,657,579	(5,165,437)	(910,641)
Cumulative GAP	(1,406,021)	(402,783)	4,254,796	(910,641)	-
As at December 31, 2015					
Total assets	4,590,192	449,392	9,245,412	9,452,027	23,737,023
Total liabilities	5,976,062	77,883	9,066,811	9,773,063	24,893,819
Periodic GAP	**(1,385,870)**	**371,509**	**178,601**	**(321,036)**	**(1,156,796)**
Cumulative GAP	**(1,385,870)**	**(1,014,361)**	**(835,760)**	**(1,156,796)**	

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

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 is 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	US	Other	Total
	$'000	$'000	$'000	$'000
As at December 31, 2016				
Assets				
Property, plant and equipment	150,616	-	-	150,616
Investment properties	406,860	-	-	406,860
Investments in associates	1,009,572	-	870,193	1,879,765
Investments in subsidiaries	186,354	2,369,738	-	2,556,092
Investment securities	11,334,274	877,617	1,819	12,213,710
Due from related parties	393,597	1,319,262	227	1,713,086
Loans and other receivables	352,410	31,076	134	383,620
Cash and cash equivalents	276,858	749,944	8,448	1,035,250
Total financial assets	14,110,541	5,347,637	880,821	20,338,999
Liabilities				
Insurance contracts	7,194,612	-	-	7,194,612
Investment contracts	4,106,075	-	-	4,106,075
Borrowings	190	-	-	190
Debt securities issued	4,992,751	-	-	4,992,751
Due to related parties	1,724,038	36,003	-	1,760,041
Mutual fund obligation	1,188,890	-	-	1,188,890
Accounts payable	2,007,081	-	-	2,007,081
Total financial liabilities	21,213,637	36,003	-	21,249,640
Net position	(7,103,096)	5,311,634	880,821	(910,641)

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.3 *Market risk* (continued)

	TT	US	Other	Total
	$'000	$'000	$'000	$'000
As at December 31, 2015				
Total assets	16,879,908	5,845,594	1,011,521	23,737,023
Total liabilities	24,857,816	36,003	-	24,893,819
Net position	(7,977,908)	5,809,591	1,011,521	(1,156,796)

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 5% 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.

	5% increase in TT/US rate TT$'000	5% decrease in TT/US rate TT$'000
Impact on profit or loss and equity as at		
December 31, 2016	265,582	(265,582)
December 31, 2015	290,480	(290,480)

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)

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 an immediate change to 4% and 6%).	Effective interest rate for financial assets used was 4% whilst the rate for financial liabilities was 10%.
Equity/property market values	The impact of a change in equity/property market values by + or – 10%.	All property revaluation and equity movements in the financial assets at fair value through profit or loss affect income whereas available-for-sale asset revaluation affect OCI. All equity market movements affect only quoted equity stock.

Impact on	Interest Rates Rise 100 bps $'000	Interest Rates Fall 100 bps $'000	Property Prices Rise 10% $'000	Property Prices Fall 10% $'000	Equity Prices Rise 10% $'000	Equity Prices Fall 10% $'000
Sensitivities as at December 31, 2016						
Statement of profit or loss and other comprehensive income	42,548	(42,548)	40,686	(40,548)	301,816	(301,816)
Equity	(42,548)	42,548	52,013	(52,013)	443,586	(443,586)
Sensitivities as at December 31, 2015						
Statement of profit or loss and other comprehensive income	(8,358)	8,358	42,607	(42,607)	284,823	(284,823)
Equity	8,358	(8,358)	52,490	(52,490)	450,183	(450,183)

5. Insurance and Financial Risk Management (continued)

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 were managed by department managers whereas for more significant transactions Board approval was sought.

5.5 Capital Structure

The current capital structure of the Company consists of debt; which includes borrowings disclosed in Note 18, debt securities issued as disclosed in Note 19, amounts due to related parties disclosed in Note 20, policyholders' reserves as disclosed in Note 16; investment contracts as disclosed in Note 17; and amounts attributable to equity holders of the Company; comprising issued capital, reserves and retained earnings as disclosed in Notes 14 and 15 respectively.

6. Property, Plant and Equipment

	Land and Buildings	Furniture, Fixtures and Equipment	Motor Vehicles	Capital Work in Progress	Software	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Year ended December 31, 2016						
Opening net book value	117,923	34,066	250	3,892	1,401	157,532
Additions	172	1,407	-	149	1,683	3,411
Transfers	540	-	-	(540)	-	-
Reclassification to investment property	-	-	-	(349)	-	(349)
Revaluation surplus	(1,090)	-	-	-	-	(1,090)
Disposals	(2,250)	-	-	-	-	(2,250)
Depreciation charge	(2,024)	(2,716)	(50)	-	(1,848)	(6,638)
Closing net book value	113,271	32,757	200	3,152	1,236	150,616
At December 31, 2016						
Cost or valuation	132,426	165,717	1,369	3,152	61,859	364,523
Accumulated depreciation	(19,155)	(132,960)	(1,169)	-	(60,623)	(213,907)
Closing net book value	113,271	32,757	200	3,152	1,236	150,616
Year ended December 31, 2015						
Opening net book value	141,510	35,251	514	3,148	2,505	182,928
Additions	1,090	1,759	-	10,139	195	13,183
Transfers	20,000	-	-	-	-	20,000
Reclassification to investment property	(52,017)	-	-	(9,395)	-	(61,412)
Revaluation surplus	8,005	-	-	-	-	8,005
Disposals	(3996)	-	(1,097)	-	-	(5,093)
Depreciation on disposals	487	-	899	-	-	1,386
Depreciation on reclassified assets	4,922	-	-	-	-	4,922
Depreciation charge	(2,078)	(2,944)	(66)	-	(1,299)	(6,387)
Closing net book amount	117,923	34,066	250	3,892	1,401	157,532
At December 31, 2015						
Cost or valuation	135,054	164,310	1,369	3,892	60,176	364,801
Accumulated depreciation	(17,131)	(130,244)	(1,119)	-	(58,775)	(207,269)
Closing net book value	117,923	34,066	250	3,892	1,401	157,532

	2016 $'000	2015 $'000
7. Investment Properties		
At beginning of year	426,071	383,393
Transfers to/from property, plant and equipment	349	36,490
Additions	320	4,089
(Loss) gain on revaluation of investment properties	(19,880)	14,949
Disposals	-	(12,850)
At end of year	406,860	426,071

Rental income arising from the investment properties owned by the Company amounted to $26.2 million (2015: $44.4 million).

The fair values of investment properties at the year end were reflected based on the valuations conducted in 2014-2017.

8. Investments in Associates

	% Shareholdings 2016	% Shareholdings 2015	2016 $'000	2015 $'000
<u>Available-for-sale</u>				
Quoted at fair value				
Angostura Holdings Limited - 66,971,877 shares of no par value	32	32	1,004,578	935,598
One Caribbean Media Limited – 15,285,917 shares of no par value	23	23	304,190	336,290
L.J. Williams Limited – Class A 3,245,694 shares of no par value	23	7	7,536	1,357
L.J. Williams Limited – Class B 10,190,584 shares of no par value	-	52	-	9,543
			1,316,304	1,282,788
Managed Funds Assets (see Note 10)			(306,733)	(193,329)
Total quoted at fair value			1,009,571	1,089,459

8. Investments in Associates (continued)

	% Shareholdings 2016	% Shareholdings 2015	2016 $'000	2015 $'000
Total quoted at fair value *(brought forward)*			1,009,571	1,089,459
Unquoted at fair value				
Home Construction Limited 27,558,038 shares of no par value	43	43	178,357	178,357
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	870,194	983,737
IBIS Caroni (Cayman) Limited 3,675 shares of no par value	49	49	22,813	22,813
IBIS Cedar (Cayman) Limited 5,726 shares of no par value	49	49	35,546	35,546
IBIS Kapok (Cayman) Limited 612 shares of no par value	49	49	3,802	3,802
			1,110,713	1,224,256
Less provision for impairment			(240,519)	(240,519)
Total unquoted at fair value			870,194	983,737
Total investments in Associates			1,879,765	2,073,196

9. Investment in Subsidiaries

	% Shareholdings 2016	% Shareholdings 2015	2016 $'000	2015 $'000
Available-for-sale				
Occidental Investments Ltd. 50,000 shares of no par value	100	100	166,767	155,715
Oceanic Properties Ltd. 50,000 shares of no par value	100	100	19,588	18,285
CL Infinity (BVI) Limited 10 shares of no par value	100	100	29,255	29,255
Methanol Holdings International Limited 5,653,700 shares of no par value	56.53	56.53	2,369,738	2,254,632
			2,585,348	2,457,888
Provision for impairment			(29,256)	(29,256)
Total			2,556,092	2,428,632

10. Investment Securities

	2016 $'000	2015 $'000
Available-for-sale		
Unquoted equity securities	351,115	342,375
Quoted equity securities	2,328,157	1,845,936
Debt securities	974,255	974,255
Government securities	8,773,831	11,761,586
Provision for impairment	(1,315,208)	(1,315,208)
	11,112,150	13,608,944
Managed Funds' assets at fair value through profit or loss		
Quoted equity securities		
- Investments in associates (Note 8)	306,733	193,329
- Other equity securities	32,154	466,595
Government securities	762,673	484,957
	1,101,560	1,144,880
Total	12,213,710	14,753,824

10. Investment Securities (continued)

Debt securities comprise bonds issued by CL Financial Limited (CLF), the Parent Company, of $476 million (2015: $476 million) and a bond issued by CLICO Investment Bank Limited, a fellow subsidiary, of $497.6 million (2015: $497.6 million). These amounts have been fully impaired.

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

	Available-for-sale	Fair value through profit or loss	Total
	$'000	$'000	$'000
At December 31, 2015	13,608,944	1,144,880	14,753,824
Acquisitions	1,051,784	-	1,051,784
Disposals	(3,464,323)	-	(3,464,323)
Reclassifications	147,973	(1,539)	146,434
Revaluation gains	(242,203)	(41,781)	(283,984)
Foreign exchange losses	9,975	-	9,975
At December 31, 2016	11,112,150	1,101,560	12,213,710

The investment securities at fair value through profit or loss are held in internal funds to match against managed funds (Note 17) of $1,049 million (2015: $1,053 million).

	2016	2015
	$'000	$'000
11. Due from Related Parties		
Parent company	1,619,398	1,619,398
Subsidiary companies	50,119	50,104
Fellow subsidiary and associates	3,717,424	3,719,283
Provision for impairment	(3,673,855)	(3,646,690)
	1,713,086	1,742,095

Not included in these balances is an amount of $1,699 million due from CLICO Investment Bank Limited (CIB). This amount is offset against an equal amount payable to CIB as outlined in Note 20.

	2016 $'000	2015 $'000
12. Loans and Other Receivables		
Accrued investment income	145,291	137,727
Sundry debtors and prepayments	19,400	6,359
Promissory notes	362,732	362,732
Due from reinsurers	(1,133)	(1,133)
Mortgages	52,152	67,683
Policy loans	209,282	203,029
Provision for impairment	(404,104)	(401,876)
	383,620	374,521

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

	Promissory Notes $'000	Mortgages $'000	Policy Loans $'000	Doubtful Debts - Rental Income $'000	Total $'000
As at December 31, 2016:	362,489	24,305	15,082	2,228	404,104
As at December 31, 2015:	362,489	24,305	15,082	-	401,876

	2016 $'000	2015 $'000
13. Bank and Short-term Deposits		
Deposits maturing more than three months	35,966	268,263
Deposits maturing less than three months	653,042	1,158,366
Cash at bank	346,242	354,523
	1,035,250	1,781,152

In 2016 no bank and short-term deposits were held in internal funds to match against Managed Funds (Note 17) (2015: NIL).

	2016	2015
	$'000	$'000

14. Share Capital

	2016 $'000	2015 $'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

15. Valuation Reserves

	Managed Funds $'000	Marketable Securities $'000	Land and Buildings $'000	Total $'000
Year ended December 31, 2016				
Balance at December 31, 2015	145,341	4,149,126	125,637	4,420,104
Net change in fair value	(9,832)	(192,588)	-	(202,420)
Fair value gains – tax	-	(8,832)	-	(8,832)
Fair value gains – property	-	-	(1,090)	(1,090)
Net movement in Trustee's units held in Managed Funds	11,200	-	-	11,200
Balance at December 31, 2016	146,709	3,947,706	124,547	4,218,962
Year ended December 31, 2015				
Balance at December 31, 2014	(6,359)	5,421,663	122,065	5,537,369
Net change in fair value	-	(1,133,882)	-	(1,133,882)
Revaluation of property	-	-	3,572	3,572
Net movement in Trustee's units held in Managed Funds	13,045	-	-	13,045
Balance at December 31, 2015	6,686	4,287,781	125,637	4,420,104

16. Insurance Contracts

	2016 $'000	2015 $'000
Long-term Insurance Fund - Note 16.3 (a)	7,135,862	7,566,633
Short-term Insurance Fund - Note 16.3 (b)	24,189	23,372
	7,160,051	7,590,005
Deposits and premiums paid in advance	(49)	(3,030)
Claims admitted or intimated but not yet paid	34,610	35,222
Total policyholders' liabilities	7,194,612	7,622,197

16.1 Actuarial valuation

The Company's Consulting Actuary, Prescience Insurance Consultants and Actuaries, in their report dated 26 May 2017, stated that the aggregate amount of the liabilities of the Company in relation to its long-term insurance business (which includes EFPA Investment, Managed Funds and Deposit Administration Contracts (Note 17)) registered in Trinidad and Tobago as at December 31, 2016 amounted to $11,260 million (2015: $15,034 million) and exceeds the aggregate value (as provided by the Company) of the Statutory Fund assets (see Note 36).

The details of the Actuary's valuation are as follows:

	2016 $'000	2015 $'000
Insurance Contracts	7,154,740	7,584,693
Investment Contracts – EFPA (Note 17)	2,608,620	5,970,982
Investment Contracts – Managed Funds (Note 17)	1,048,881	1,053,191
Investment Contracts – Deposit Administration (Note 17)	448,574	426,035
	11,260,815	15,034,901

The Caribbean Policy Premium Method (CPPM) was used as a minimum basis for valuing long term liabilities as described in the pending revisions to 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.

16. Insurance Contracts (continued)

16.2 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 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 individual payout annuity policies, the mortality assumptions are based on 1983 Individual Annuitant Mortality tables. Mortality improvement is assumed for past and future years. Additional margin was provided for uncertainty in setting the expected mortality assumptions.

For group payout annuity policies, the mortality assumptions are based on 1994 Group Annuitant Mortality 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 business except FPA, EFPA, GAP and GAAPP based on the Company's experience since 1999. Additional margins were provided for uncertainty in setting the expected lapse assumptions. In the case of the EFPA, GAP and GAAPP, as a consequence of the Government's pay-out offer (announced in the 2011/2012 Budget) and the suspension of EFPA/GAP/GAAPP transactions, the actuary determined that the lapse experiences of these lines were no longer applicable.

16. Insurance Contracts (continued)

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

a) Process used to decide on assumptions (continued)

Interest rates

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

i. Projected investment income from and market values of all assets in the Statutory Fund at December 31, 2016

ii. Margined liability cash flows at December 31, 2016

iii. Trinidad and Tobago Treasury yield curve as at December 31, 2016

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 Statutory Fund assets as of December 31, 2016 are meant to support the policy liability 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%.

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 analysis results. 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.

16. Insurance Contracts (continued)

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

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)
Guaranteed Option of FPA	Updated assumptions and correction of model	Incorporate new mortality, interest and expense assumptions + model refinements	(76,671)	-0.68%
Annuitant Mortality	Group: Reduced multiple, Individual: reduced multiple	Updated SOA/CIA industry experience	(12,970)	-0.11%
Annuitant Mortality Improvement	Mortality Improvement - 1 Year	Advance 1 Year From study period	-	0.00%
UL Premium Persistency and model refinement	Different premium persistency vector and waiver rider model changes	Updated Persistency study + model refinement	-	0.00%
Life mortality	Mortality Table multiple reduced from 82% to 76%	Updated Mortality Study performed	-	0.00%

16. Insurance Contracts (continued)

16.2 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's)	Percentage of Change (as % of total liabilities)
Per Policy Expense	5.90% for Ordinary Life, UL and accumulation annuities, 5.97% for payout annuities	Updated expenses study performed	22,264	0.20%
Inflation Rates	-0.11%	Observed changes in Retail Price Indices and core inflation used	(13,595)	-0.12%
Interest Rates	0.28% for life and 0.34% for annuity	Higher Observed Asset Returns	(271,994)	-2.40%
FPA Lapse Rates	Registered from 2.20% to 1.84% Unregistered from 5.8% to 4.86%	Updated lapse study performed	10,386	0.09%
Life (OL & UL) Lapse Rates	-0.33% for OL and -0.03% for UL	Updated lapse study performed	62	0.00%

16. Insurance Contracts (continued)

*16.2 **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, 2016

Variable	Change in Variable	Increase (Decrease) in Policy Liabilities	Change
		$'000	%
Parallel shift of valuation	100 basis points	1,101,564	15.44
Change in per-policy maintenance expense	10%	67,109	0.94
Change in rate of inflation	100 basis points	80,886	1.13
Reduction in lapse rate	100 basis points	27,169	0.38
Increase in lapse rate	100 basis points	22,658	(0.32)
Change in mortality rate	10%	139,718	1.96

As at December 31, 2015

Variable	Change in Variable	Increase (Decrease) in Policy Liabilities	Change
		$'000	%
Parallel shift of valuation	100 basis points	1,100,101	14.54
Change in per-policy maintenance expense	10%	70,490	0.93
Change in rate of inflation	100 basis points	88,441	1.17
Reduction in lapse rate	100 basis points	42,547	0.56
Increase in lapse rate	100 basis points	(35,937)	(0.47)
Change in mortality rate	10%	147,389	1.95

16. Insurance Contracts (continued)

16.3 Movement in insurance liabilities

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

	2016 $'000	2015 $'000
At beginning of year	7,566,633	8,259,512
Premiums received in the year	153,529	209,004
Liabilities released for payments on death and other terminations in the year	(595,774)	(439,075)
Change in actuarial reserves	(453,004)	(461,308)
Investment income	466,080	-
Other movements	(1,602)	(1,500)
At end of year	7,135,862	7,566,633

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

	2016 $'000	2015 $'000
At beginning of year	23,372	22,796
Premiums received in the year	72,787	61,883
Liabilities released for payments on death, surrender, and other terminations in the year	(49,340)	(44,921)
Other movements	(22,630)	(16,386)
At end of year	24,189	23,372

17. Investment Contracts

	2016 $'000	2015 $'000
Managed Funds (Note 10)	1,048,881	1,053,191
Deposit administration contracts	448,574	431,424
EFPA Investment Contracts	2,608,620	5,970,982
	4,106,075	7,455,597

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.

EFPAs

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 $4.9 billion 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 payout offer in 2011. This offer involved policyholders accepting a payout 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 payout 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 as determined by the Company's external actuary.

Managed Funds

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

	2016 $'000	2015 $'000
Quoted equity securities (Note 10)	32,154	466,595
Government securities (Note 10)	762,673	484,957
Investments in associates (Note 10)	306,733	193,329
	1,101,560	1,141,881

	2016	2015
	$'000	$'000
18. Borrowings		
Finance lease obligations	190	296
19. Debt Securities Issued		
Issue of redeemable preference shares	4,992,751	4,992,751

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 preference shares carry an annual dividend rate of 4.75 percent of the par amount.

	2016	2015
	$'000	$'000
20. Due to Related Parties		
Current accounts with related parties are as follows:		
Associates	-	8,441
Affiliates	1,760,041	1,751,600
	1,760,041	1,760,041

Not included as part of these balances is an amount of $1,699 million due to CLICO Investment Bank (CIB). This amount was offset against an equal amount receivable from CIB as outlined in Note 11.

21. Mutual Fund Obligation

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 $1,189 million at the reporting date (2015: $1,307 million). 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 2016 continues to be based on the level of acceptance of the GORTT's pay out offer to Core (Series VI) unit holders. The GORTT's offer values the mutual fund at the value at the last unit anniversary date prior to September 2010. According to the terms of the agreement of accepting the offer, this is the value that CLICO may be liable for. For unit holders who have not accepted the offer their units are valued, as previously done, at principal and interest accrued over a period of time.

No management fee was accrued for 2016 (2015: $NIL).

	2016 $'000	2015 $'000
22. Accounts Payable		
Due to GORTT	1,664,538	1,412,046
Other payables	342,543	344,224
	2,007,081	1,756,270
23. Net Insurance Premium Revenue		
Long-term insurance contracts		
Premiums (net of refunds and taxes)	156,824	211,674
Premium revenue ceded to reinsurer, net of recoveries	(3,295)	(2,670)
Net insurance premium revenue	153,529	209,004
Short-term insurance contracts		
Premiums (net of refunds and taxes)	74,809	68,649
Premium revenue ceded to reinsurer	(2,022)	(6,766)
Net insurance premium revenue	72,787	61,883
	226,316	270,887

	2016	2015
	$'000	$'000

24. Insurance Benefits and Claims

	2016 $'000	2015 $'000
Long-term insurance contracts		
- Death, maturity and surrender benefits	37,500	43,250
- Pensions and lump sum benefits	340,248	395,203
- Other terminations	724	622
	378,472	439,075
Short-term insurance contracts		
- Health benefits	32,911	31,818
- Death claims	16,428	13,103
	49,339	44,921
Net insurance benefits and claims	427,811	483,996

25. Investment Income

	2016 $'000	2015 $'000
Interest income		
Short-term deposits	23,927	5,086
Corporate securities	579	864
Government securities	445,477	444,269
Loans and advances	3,085	2,889
Dividend income		
Corporate securities	130,158	335,286
Rental income (net)	18,527	18,682
Other income		
Bank accounts	6	33
Other income	1	1,534
	621,760	808,643

26. Gain (Loss) on Sale of Investments and Other Assets

	2016 $'000	2015 $'000
Property, plant and equipment	-	68
Government securities	774	(33,444)
	774	(33,376)

27. Impairment Losses

The Company has recognised impairment losses as follows:

	2016 $'000	2015 $'000
Current accounts	17,770	114

Note 5.3.1 to these financial statements provide additional information about the credit quality of monetary financial assets at the reporting date. Impairment losses recognised represent management's best estimate of the impact of identified loss events on the future cash flows expected from financial assets.

	2016 $'000	2015 $'000
28. Expenses for Administration		
Employee costs	29,895	22,671
Marketing	48	255
Professional fees	40,187	25,310
Depreciation	6,640	6,383
Directors fees	480	489
Repairs and maintenance	3,384	3,992
Exchange gains	-	(10,323)
Bad debts	33,793	9,185
Other expenses	12,904	12,928
	127,331	70,890

29. Investment Contract Movements

Deposit Administration funds	11,535	17,884
Managed Funds	39,614	(11,752)
Movement in EFPA valuation		
- Due to policyholders not accepting GORTT offer	32,059	(11,799)
	83,208	(5,667)

	2016 $'000	2015 $'000
30. Finance Costs		
Interest on debt securities	237,808	237,156
Other finance costs, net	256	186
	238,064	237,342

31. Taxation

	2016 $'000	2015 $'000
Current tax	4,474	5,808
Prior year tax	2,030	-
Green Fund levy	2,334	834
	8,838	6,642
Deferred tax	120	(466)
Tax expense for the year	8,958	6,176

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

	2016 $'000	2015 $'000
Profit before taxation	456,255	900,444
Tax calculated at the statutory rate of 25%	114,063	225,111
Tax effect of different tax rates on lines of business	1,620	(6,676)
Tax effect of income not subject to tax	(92,965)	(174,159)
Tax effect of expenses not deductible	1,989	-
Utilisation of prior year tax losses	(8)	(58)
Green Fund levy	2,334	834
Prior year tax under accruals	2,030	-
Other differences	(20,105)	(38,876)
Tax charge	8,958	6,176

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:

	2016 $'000	2015 $'000
Statement of Financial Position - Assets		
Fellow Subsidiary Companies		
Investment in associates	870,193	1,801,290
Investment in subsidiaries	186,353	174,000
Financial assets at fair value through profit or loss	-	155,400
Due from related parties	20,591	20,576
Loans and other receivables –accrued investment income	326	326
Associated Companies		
Investment in associates	1,009,572	309,261
Financial assets at fair value through profit or loss	306,733	37,929
Subsidiary Companies		
Investment in subsidiaries	2,585,347	2,256,676
Parent Company		
Due from related parties	28,464	28,464
Government		
Investment securities	8,773,831	10,571,056
Financial assets at fair value through profit or loss	762,673	453,788
Total related party assets *(carried forward)*	14,544,083	15,808,766

	2016 $'000	2015 $'000
32. Related Party Balances and Transactions (continued)		
Total related party assets *(brought forward)*	14,544,083	15,808,766
Statement of Financial Position - Liabilities		
Government		
Debt securities issued	4,992,751	4,992,751
Investment contracts	2,422,308	5,522,342
Mutual Fund obligation	1,133,150	1,133,150
Accounts payable	1,649,854	1,412,046
Fellow subsidiary companies		
Due to related parties	1,760,041	1,760,041
Due to subsidiaries		
Accounts payable	2,182	2,197
Other related parties		
Due to related parties	8,265	6,406
Mutual fund obligation	55,740	173,403
Total related party liabilities	12,024,291	15,002,336
Net assets with related parties	2,519,792	806,430
Statement of Profit or Loss and Other Comprehensive Income - Income		
Fellow subsidiary companies		
Premiums	7,066	6,936
Investment income – dividends received	-	215,586
Associated companies		
Investment income – dividends received	33,048	29,234
Total income from related parties (carried forward)	40,114	251,756

	2016	2015
	$'000	$'000
32. Related Party Balances and Transactions (continued)		
Total income from related parties (brought forward)	40,114	251,756
Statement of Profit or Loss and Other Comprehensive Income – Expenses		
Government		
Interest on Preference Share - GORTT	237,808	237,156
Fellow subsidiary companies		
Insurance benefits	3,412	3,197
Medical services	409	337
Other	2,597	6,705
Associated companies		
Advertising expense	8	11
Total expenses with related parties	244,234	247,406
Net income from related parties	(204,120)	4,350
Key management compensation		
Salaries and other short-term benefit	3,045	4,694

33. Contingent Liabilities and Commitments

a) The Company guaranteed a loan from a third party to a related party in the amount of US$16.7 million. During 2015 the related party settled the outstanding principal with the third party. As at the reporting date only a portion of outstanding interest is to be liquidated, as discussions are ongoing between the third party and the related party to have this settled.

b) The Company guaranteed a loan from a third party to a related party in the amount of TT$219 million. The loan is currently in default but the third party and the related party are in negotiations to restructure the facility. The third party has written to the Company reminding it of its role as a guarantor.

c) The Company has 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. Management has assessed that it is not likely that there will be a significant outflow of economic benefits in relation to this contingency.

d) Sometime between 2006/2008, the Company entered into an arrangement to provide reinsurance coverage for a U.S. insurer. During that period the Company received approximately US$5.5 million in premiums. At present there have been about US$23 million in reinsurance claims directly from the U.S. insurer's clients which need to be validated and the Company is disputing some of these claims on various grounds. The Company is unable at this time to quantify the number or the value of other possible reinsurance claims due to incongruity between the records of the Company, the U.S. Insurer and the U.S. Insurer's clients.

e) There were a number of legal proceedings pending against the Company at the reporting date. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

f) Future minimum lease payments under non-cancellable operating leases are:

	Within 1 year	1-5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000
Operating lease commitments	109	545	1,693	2,347

g) At the reporting date, tax audits were pending and ongoing for several years of income. Management has assessed that it is not possible at this time to determine whether the final outcome of these matters will differ significantly from the amounts originally recorded.

34. Principal Associated Undertakings

Quoted	Country of Origin	Activity
One Caribbean Media Limited	Trinidad and Tobago	Media
Angostura Holdings Limited	Trinidad and Tobago	Beverage Manufacturing
LJ Williams Limited	Trinidad and Tobago	Trading

Unquoted	Country of Origin	Activity
Home Construction Limited	Trinidad and Tobago	Construction
CL World Brands Limited	United Kingdom	Beverage Manufacturing

35. Principal Subsidiary Undertakings

Unquoted	Country of Origin	Activity
Occidental Investments Ltd	Trinidad and Tobago	Real Estate
Oceanic Properties Ltd	Trinidad and Tobago	Real Estate
Methanol Holdings International Limited	St. Kitts and Nevis	Energy – Methanol

36. Assets Pledged

Every company registered under the Insurance Act 1980 to carry on long-term insurance business is required to establish and maintain a statutory fund in respect of that business.

The Company is required to place in trust in Trinidad and Tobago, assets equal to its liability and contingency reserves with respect to its Trinidad and Tobago policyholders established by the balance sheet of the Company as at the end of its financial year. Currently, according to the Insurance Act regulations, the Company has sufficient assets in trust to cover its Trinidad and Tobago policyholders as defined by the Act.

Listed below are the assets pledged by category either to the Inspector of Financial Institutions in Trinidad and Tobago or to other counter parties.

a) Approximately $1,290 million (2015: $1,060 million) of investments in associated companies are pledged to the order of the Inspector of Financial Institutions in Trinidad and Tobago and approximately $25 million (2015: $24 million) are pledged against collateralised borrowings due to CLICO Investment Bank Limited.

b) Approximately $2,054 million (2015: $1,954 million) of investments in subsidiary companies are pledged to the order of the Inspector of Financial Institutions in Trinidad and Tobago.

36. Assets Pledged (continued)

c) Fixed deposits pledged to the order of the Inspector of Financial Institutions in Trinidad and Tobago under the provisions of the Trinidad and Tobago Insurance Act, 1980, amounted to approximately $327 million (2015: $83 million).

d) Approximately $11,214 million (2015: $13,411 million) of other investments are pledged to the order of the Inspector of Financial Institutions in Trinidad and Tobago. Approximately $1,278 million (2015: $1,319 million) of other investments are pledged as security for various bank overdrafts, short-term and long-term loans including collateralised borrowings due to CLICO Investment Bank Limited.

Assets required to be placed in trust are to be so placed not more than one month after the end of the financial year to which the statement of financial position relates. Subsequent to December 31, 2016 a further $278 million (2015: $598.5 million) of assets were pledged to the order of the Inspector of Financial Institution in Trinidad and Tobago.

37. Events after the Reporting Date

a) To facilitate the implementation of the Resolution Plan, in January 2017, the Company was directed by the Central Bank of Trinidad and Tobago to take the necessary steps to effect the transfer of its 100% shareholdings in Occidental Investments Limited and Oceanic Properties Limited to the state enterprise, Buccoo Limited. This transfer agreement was completed on March 2017.

b) Under the directives from the Central Bank of Trinidad and Tobago, the disposal of other investments are being pursued.