Statement of Management Responsibility

Guardian Asset Management Limited is licensed under the Financial Institutions Act, 2008 (the Act), which requires its management to prepare financial statements annually that present a true and fair view of the Company's affairs as at the end of the financial year and operating results for the year. The Act also requires management to establish and maintain an adequate internal control structure and procedures for financial reporting, to safeguard the assets of the Company as well as ensure compliance with the Act and any regulations made thereunder and any guidelines issued by the Central Bank in accordance with the Act.

Management accepts responsibility for the annual financial statements, which are prepared in accordance with International Financial Reporting Standards. It also accepts responsibility for the accounting records and internal controls that ensures that the financial statements are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

As at 31 December 2013, the Company's internal control mechanisms have been assessed by management as being effective. In management's opinion, the financial statements give a true and fair view of the Company's affairs and operating results.

In addition, nothing has come to the attention of management to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Brent Ford
Managing Director
26 February 2014

Thandi Merritt
Chief Accountant
26 February 2014

REPORT TO THE SHAREHOLDER OF GUARDIAN ASSET MANAGEMENT LIMITED

Report on the financial statements
We have audited the accompanying financial statements of Guardian Asset Management Limited (the "Company"), which comprise the statement of financial position as at 31 December 2013, and the related statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young
Port of Spain,
Trinidad
26 February 2014

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2013

	Notes	2013 $	2012 $ (restated)	2011 $ (restated)
Assets				
Cash and cash equivalents	4	61,734,578	34,345,405	54,753,283
Other assets	5	6,311,388	3,498,982	8,454,499
Investments at fair value through profit or loss	6	70,384,813	95,989,087	94,562,607
Loans and advances	7	8,049,296	1,594,892	2,824,178
Equipment	8	641,648	711,786	614,733
Deferred tax asset	9	4,647,553	8,900,938	15,548,771
Taxation recoverable		443,847	472,164	445,080
Total assets		152,213,123	145,513,254	177,203,151
Shareholders' equity				
Share capital	10	27,702,212	27,155,313	25,962,806
Statutory reserve	11	11,508,078	9,554,759	7,250,651
Retained earnings		84,126,846	88,883,916	88,973,054
Total shareholders' equity		123,337,136	125,593,988	122,186,511
Liabilities				
Short term borrowings	12	5,766,890	3,332,645	41,857,946
Post-retirement medical benefit obligation	13	541,670	435,670	–
Pension plan liabilities	14	7,473,145	4,924,319	1,182,765
Provision for taxation	23	1,459,898	–	–
Other liabilities	15	13,634,384	11,226,632	11,975,929
Total liabilities		28,875,987	19,919,266	55,016,640
Total shareholders' equity and liabilities		152,213,123	145,513,254	177,203,151

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

On 26 February 2014, the Board of Directors of Guardian Asset Management Limited authorised these financial statements for issue.

Director

Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 $	2012 $ (restated)
Asset administration fees	16	18,535,399	17,526,745
Management fees	17	24,558,172	29,165,646
Portfolio management fees		3,346,862	3,043,679
Other fees and commissions		2,992,993	2,749,747
Fee and commission income		49,433,426	52,485,817
Investment income	18	6,178,077	4,820,903
Interest expense	19	(99,324)	(1,000,834)
Realised gains on sale of investments		5,086,469	2,655,967
Unrealised (losses)/gains on investments		(56,923)	1,191,276
Net foreign exchange gains	20	341,556	64,703
Net investment and other income		11,449,855	7,732,015
Net income		60,883,281	60,217,832
Management and operating expenses	21	(34,826,326)	(31,038,243)
Profit before taxation		26,056,955	29,179,589
Taxation	23	(6,523,763)	(7,423,530)
Profit after taxation		19,533,192	21,756,059
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Actuarial losses on post-retirement medical benefit obligation	13	(34,000)	–
Remeasurement of pension plan liabilities	14	(2,468,534)	(2,397,430)
Income tax relating to components of other comprehensive income	10	625,634	599,358
Other comprehensive loss for the year, net of tax		(1,876,900)	(1,798,072)
Total comprehensive income for the year		17,656,292	19,957,987

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

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

	Share capital $	Statutory reserve $	Retained earnings $	Total shareholders' equity $
Year ended 31 December 2013				
Balance at beginning of year	27,155,313	9,554,759	88,883,916	125,593,988
Total comprehensive income	–	–	17,656,292	17,656,292
Share option scheme – value of services provided	546,899	–	–	546,899
Dividend paid	–	–	(20,460,043)	(20,460,043)
Transfer to statutory reserve	–	1,953,319	(1,953,319)	–
Balance at end of year	27,702,212	11,508,078	84,126,846	123,337,136
Year ended 31 December 2012				
Balance at beginning of year (as previously reported)	25,962,806	7,250,651	89,860,069	123,073,526
Prior period adjustments	–	–	(887,015)	(887,015)
Balance at beginning of year restated	25,962,806	7,250,651	88,973,054	122,186,511
Total comprehensive income -related	–	–	19,957,987	19,957,987
Share option scheme – value of services provided	1,192,507	–	–	1,192,507
Dividend paid	–	–	(17,743,017)	(17,743,017)
Transfer to statutory reserve	–	2,304,108	(2,304,108)	–
Balance at end of year	27,155,313	9,554,759	88,883,916	125,593,988

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 $	2012 $ (restated)
Cash flows from operating activities		
Profit before taxation	26,056,955	29,179,589
Adjustments for:		
Exchange adjustment	207,165	(91,997)
Realised gains on sale of investments	(5,086,469)	(2,655,967)
Unrealised losses/(gains) on investments	56,923	(1,191,276)
Net foreign exchange gains	(341,556)	(64,703)
Share option scheme – value of services provided	546,899	1,192,507
Net post employment benefits	152,292	1,779,794
Depreciation	302,476	267,453
Cash flows from operating profits before changes in operating assets and liabilities	21,894,685	28,415,400
Purchase of investments	(422,562,907)	(280,921,263)
Proceeds on sale of investments	453,096,227	283,235,033
Net (increase)/decrease in loans and advances	(6,412,672)	1,174,923
Net (increase)/decrease in due from related parties	(1,474,417)	4,831,896
Net decrease in interest receivable	187,463	273,701
Net (increase)/decrease in sundry debtors and prepayments	(1,337,989)	123,621
Net increase in due to related parties	1,315,116	907,477
Net decrease in interest payable	(945)	(493,868)
Net increase/(decrease) in other liabilities	1,092,636	(1,656,774)
	45,797,197	35,890,146
Taxation paid	(156,528)	(203,423)
Net cash provided by operating activities	45,640,669	35,686,723
Cash flows from investing activities		
Purchase of equipment	(232,338)	(364,506)
Net cash used in investing activities	(232,338)	(364,506)
Cash flows from financing activities		
Dividend paid	(20,460,043)	(17,743,017)
Proceeds from short term borrowings	19,800,640	15,008,396
Repayments of short term borrowings	(17,359,755)	(52,995,474)
Net cash used in financing activities	(18,019,158)	(55,730,095)
Net increase/(decrease) in cash and cash equivalents	27,389,173	(20,407,878)
Cash and cash equivalents at beginning of year	34,345,405	54,753,283
Cash and cash equivalents at end of year	61,734,578	34,345,405

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

1. **Incorporation and activities**
Guardian Asset Management Limited was incorporated in the Republic of Trinidad and Tobago on 6 July 2000. It is engaged in asset management services, underwriting activities and portfolio management. The Company is a wholly owned subsidiary of Guardian Holdings Limited, a company incorporated in the Republic of Trinidad and Tobago.

The address of its registered office is 1 Guardian Drive, Westmoorings S.E., Trinidad and Tobago.

2. **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. **Basis of preparation**

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). They have been prepared under the historical cost convention, as modified by derivative financial instruments and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

i. **New standards and amendments/revisions to published standards and interpretations effective in 2013**

The following amendments to published standards are mandatory for the Company's accounting periods beginning on or after 1 January 2013:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping requirement for items presented in other comprehensive income. Items that will be reclassified ('recycled') to the consolidated statement of income in the future (e.g. exchange differences on translating foreign operations) will be presented separately from items that will not be reclassified (e.g. gain recognised on revaluation of land and buildings). The amendment only affects disclosures of the Company and as such did not have any affect on the Company's financial position or performance.

IAS 1 Presentation of Financial Statements – Clarification of requirements for comparative information (as part of the Annual Improvements to IFRSs 2009 – 2011 cycle

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. The amendments affect presentation only and have no impact on the Company's financial position or performance.

As IAS19 (revised 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (revised 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

IAS 19 (revised 2011) also introduces certain changes in the presentation of defined benefit cost including more extensive disclosures. These have been provided in Note 14.

Prior to 1 January 2013, the IAS 19 effect of Trinidad and Tobago defined benefit and defined contribution plans were recorded in Guardian Life of the Caribbean Limited financial statements, respectively. On 1 January 2013, management decided to apportion the plan's assets, liabilities and expenses among the various subsidiaries whose employees are included in the plans. The apportionment, in accordance with IAS 19 (revised 2011), was provided by a third party qualified Actuary and resulted in the following restatements by the Company:

a. **Basis of preparation** (continued)

i. **New standards and amendments/revisions to published standards and interpretations effective in 2013** (continued)

	2012 $
Changes to Statement of comprehensive income:	
Increase in other expenses	(1,344,124)
Taxation credit	336,031
Loss for the year	(1,008,093)
Remeasurement of pension plan liabilities	(2,397,430)
Income tax effect on above	599,358
Increase in total comprehensive loss	(2,806,165)

	2012 $	2011 $
Statement of financial position:		
Pension plan liability	(4,924,319)	(1,182,765)
Deferred tax asset	1,231,139	295,750
Net decrease in equity	(3,693,180)	(887,015)

IFRS 7 Financial Instruments Disclosures: Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7

The amendments to IFRS 7 require an entity to disclose information about rights of offset and related arrangements (e.g. collateral agreements). The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set off in accordance with IAS 32. The amendment did not have any effect on the financial position, performance or disclosures of the Company.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. Fair value under IFRS 13 is defined as "the price that would be received to sell an asset or paid to transfer to liability in an orderly transaction between market participants at the measurement date" (i.e. an exit price).

IFRS 13 provides clarification on a number of areas, including the following:

- Concepts of ′highest and best use′ and ′valuation premise′ are relevant only for non-financial assets.
- Adjustments for blockage factors (block discounts) are prohibited in all fair value measurements.
- A description of how to measure fair value when a market becomes less active.

IFRS 13 has not materially impacted the fair value measurements of the Company. Additional disclosures where required, are provided in the notes to financial statements. Fair value hierarchy is provided in Note 26.

ii. **New standards and amendments/revisions to published standards and interpretations effective in 2013 but not applicable to the Company**

The following new and revised IFRS that have been issued do not apply to the activities of the Company:

- IFRS 1 Government Loans – Amendments to IFRS 1 – Effective 1 January 2013
- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements – Effective 1 January 2013
- IFRS 11 Joint Arrangements, IAS 28 Investments and Associates and Joint Ventures – Effective 1 January 2013
- IFRS 12 Disclosure of Interests in Other Entities – Effective 1 January 2013
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine – Effective 1 January 2013
- Annual Improvements to IFRSs 2009 – 2011 cycle – Effective 1 January 2013:
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Repeated application of IFRS 1 and borrowing costs
- IAS 16 Property Plant and Equipment – Classification of servicing equipment
- IAS 32 Financial Instruments, Presentation – Tax effect of distributions to holders of equity instruments
- IAS 34 Interim Financial Reporting – Interim financial reporting and segment information for total assets and liabilities

iii. **New interpretations and revised or amended standards that are not yet effective and have not been early adopted by the Company**

The improvements become effective for annual periods on or after 1 January 2014. These changes are currently being evaluated by Management.

- IFRS 9 Financial Instruments – Classification and Measurement – In July 2013 the IASB tentatively decided to defer the mandatory effective date of IFRS 9 (1 January 2015) until the issue date of the completed version of IFRS 9 is known
- IFRS 10, IFRS 12 and IAS 27 Investment Entities – Amendments – Effective 1 January 2014
- IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 – Effective 1 January 2014
- IAS 36 Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 – Effective January 1 2014
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39 – Effective 1 January 2014
- IFRIC 21 Levies – Effective 1 January 2014

b. **Foreign currency translation**

Functional and presentation currency

The financial statements are presented in Trinidad and Tobago dollars, which is the Company′s functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the reporting currency at 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 of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of comprehensive income.

c. **Cash and cash equivalents**

Cash amounts represent cash on hand, cash in transit and demand deposits. Cash equivalents are primarily short-term highly liquid investments with original purchased maturities of 90 days or less.

d. **Financial assets**

Initial recognition and subsequent measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss and loans and receivables. The Company determines the classification of its financial assets at initial recognition. The classification depends on the purpose for which the investments were acquired or originated. The Company does not have any financial assets that are classified as available-for-sale, held-to-maturity or any derivatives.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchase or sales of financial assets are recognised on the trade date, which is the date on which the Company commits to purchase or sell the asset.

The Company's financial assets include cash and cash equivalents, debt securities, equity securities, interest receivable and loans and advances.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held-for-trading and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held-for-trading. For investments designated as at fair value through profit or loss, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or

- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

  These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gain and loss are recognised in the statement of comprehensive income.

  Loans and advances

  Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are included in the cost of the investment. After initial measurement, loans and advances are measured at amortised cost, using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortisation process.

  Fair value of financial assets

  The fair value of quoted investments (primarily equity securities) is based on current bid prices at the statement of financial position date. If the market for a financial asset is not active (primarily government securities, debentures and corporate bonds), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis making maximum use of market inputs and relying as little as possible on entity-specific inputs.

If the fair value of unquoted equities cannot be measured reliably, these financial assets are measured at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

Derecognition of financial assets

A financial asset (or when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement.
- The Company has transferred its rights to receive cash flows from the asset and either:

- has transferred substantially all the risk and rewards of the asset, or
- has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Company´s continuing involvement is the amount of the transferred asset that the Company may repurchase, except that, in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Company´s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

e. **Impairment of financial assets**

If there is objective evidence that an impairment loss on assets carried at amortised cost (loans and advances) has been incurred, the amount of the impairment loss is measured as the difference between the asset´s carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset´s original effective interest rate. The carrying amount of the asset is reduced and the loss is recorded in the statement of comprehensive income.

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

If in a subsequent period, the amount of the impairment loss decreased and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

f. **Fair value measurement**

The Company measures financial instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

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

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

All assets and liabilities for which fair value is measured and disclosed in the financial statements are categorized within the fair value hierarchy, described in detailed in Note 26.5.

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

g. **Equipment**

Equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset´s carrying amount or are 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 the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Furniture and equipment	-	10% per annum
Motor vehicles	-	20% per annum
Computer equipment and software	-	33% per annum

The assets´ residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset´s carrying amount is written down immediately to its recoverable amount if the asset´s carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset´s fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income.

h. **Borrowings**

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

i. **Repurchase agreements**

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Company retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within short term borrowings, reflecting the transaction´s economic substance as a loan to the Company. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the effective interest method. When the counterparty has the right to sell or repledge the securities, the Company reclassifies those securities in its statement of financial position to financial assets held for trading pledged as collateral.

j. **Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

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

k. **Taxation**

Tax on the profit or loss for the year comprises current tax and the change in deferred tax. Current tax comprises tax payable calculated on the basis of the taxable income for the year using the prevailing tax rate and any adjustment of tax payable for previous years.

l. **Employee benefits**

(i) Pension plans

The Company´s employees are participants in the Guardian Defined Benefit Pension Plan and Guardian Defined Contribution Plan, the assets of which are held in separate trustee administered funds. The Guardian Defined Benefit Pension Plan is currently non-contributory for employees.

l. **Employee benefits**

(i) Pension plans (continued)

The Company's employees are participants in the Guardian Defined Benefit Pension Plan and Guardian Defined Contribution Plan, the assets of which are held in separate trustee administered funds. The Guardian Defined Benefit Pension Plan is currently non-contributory for employees.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to the employee service in the current or prior periods.

The asset or liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs.

For defined benefit plans, the pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of a qualified actuary, who carries out full valuations of the plans every three years. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities, which have terms to maturity approximating the terms of the related liability. Remeasurements of the net defined benefit liability, which comprise of actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately through other comprehensive income in the statement of comprehensive income.

The Company's contributions to the defined contribution pension plans are charged to the income statement in the year to which they relate.

The defined benefit plan mainly exposes the Company to actuarial risks such as investment risk, interest rate risk and longevity risks.

(ii) Share-based compensation

The Guardian Holdings Group operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount is expensed from the service inception date through to the end of the vesting period and is determined by reference to the fair value of the options granted. At each statement of financial position date, the entity revises its estimates of the number of options that are expected to become exercisable, it recognizes the impact of the revision of original estimates, if any, in the statement of comprehensive income, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

(iii) Post retirement medical benefit obligations

The Company provides post-retirement medical benefits to its permanent employees who retire from active service, their spouses and their dependents. The entitlement to these benefits is based on the employee remaining in service up to retirement age or leaving service due to ill health. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit plans. All actuarial gains and losses are recognised immediately through other comprehensive income in the statement of comprehensive income.

Third party qualified actuaries carry out a valuation of these obligations.

m. **Share capital**

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

n. **Investment income**

Interest income is recognised in the statement of comprehensive income using the effective interest method. Dividends on equity instruments are recognised in the statement of comprehensive income when the entity's right to receive payment is established. Realised and unrealised investment gains and losses are recognised through the statement of comprehensive income in the period in which they arise.

o. **Management fees and commission income**

Management fees and commissions are recognised on an accrual basis when the service has been provided. Management fees and commissions arising from negotiating, or participating in the negotiation of, a transaction for a third party are recognised on completion of the underlying transaction. Portfolio, asset management fees and other management advisory and service fees are recognised based on the applicable service contracts over the period the service is provided.

p. **Interest expense**

Interest expense is recognised in the statement of comprehensive income using the effective interest method.

q. **Fiduciary activities**

The Company acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Company.

r. **Affiliated companies**

Affiliated companies include other Subsidiaries of the Guardian Holdings Group and managed funds in which group companies have substantial interest or control.

s. **Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved.

t. **Comparative information**

Where necessary, comparative data has been adjusted to conform with changes in presentation in the current year.

3. **Critical accounting estimates and judgements**

The Company makes estimates and assumptions that may affect the reported amounts of assets and liabilities during the succeeding financial year. These are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Fair valuation of investment securities

The fair value of financial instruments that are not traded in an active market is determined by using an internally developed bond valuation model. Assumptions used in this model are validated and periodically reviewed internally by qualified personnel. Where applicable, data is calibrated to ensure that outputs reflect actual data and comparative market prices. Changes in assumptions used in valuations could affect reported fair value of investment securities. Key assumptions are based on current market yields. As at 31 December 2013, the yields on debt instruments not traded on an active market approximated to their coupon rates. The carrying value of these investments amounted to TT$20,580,460 (2012: TT$11,997,411). If the yields had increased/decreased by 1% with all other variables held constant, profit for the year would have been TT$1,660,654 (2012: TT$1,010,600) higher/lower.

b) Impairment losses on financial assets

The Company reviews its asset portfolios to assess impairment on a periodic basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the underlying portfolios. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. As at 31 December 2013, gross financial assets totalled $14,168,674 (2012: $14,168,674) against which impairment allowances of $13,242,251 (2012: $13,244,463) has been made.

c) Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made.

d) Post-employment benefits

In conducting valuation exercises to measure the effect of all post-employment benefit plans, the Company's third-party actuaries use judgement and assumptions in determining discount rates, salary increases, pension increases and health care costs. These assumptions are detailed in Notes 13 and 14.

	2013 $	2012 $
4. **Cash and cash equivalents**		
Cash on hand and amounts due from other financial institutions	61,734,578	34,345,405
5. **Other assets**		
Amounts due from related parties (Note 27)	3,760,337	2,285,920
Sundry debtors	2,140,157	831,636
Prepayments	410,894	381,426
	6,311,388	3,498,982

	2013 $	2012 $
6. Investments at fair value through profit or loss		
Government bonds	30,062,075	16,681,496
Corporate bonds	29,893,757	54,871,881
Mutual funds	8,981,447	8,232,462
Promissory notes	–	3,180,473
Deposits with financial institutions over 90 days	–	10,929,503
Equities	1,447,534	2,093,272
	70,384,813	95,989,087
Principal	69,682,191	95,057,270
Accrued interest	702,622	931,817
	70,384,813	95,989,087
Non-current	57,282,108	61,974,054
Current	12,400,083	33,083,216
	69,682,191	95,057,270

The movement in investments may be summarised as follows:

	2013 $	2012 $
At beginning of year	95,057,270	93,411,452
Exchange adjustments	152,604	67,163
Additions	422,562,907	280,921,263
Disposals (sales and redemptions)	(448,033,667)	(280,533,884)
Fair value net gains	(56,923)	1,191,276
At end of the year	69,682,191	95,057,270

The carrying amount of financial assets above that was pledged as collateral for liabilities is $10,050,764 (2012: $7,779,976).

	2013 $	2012 $
7. Loans and advances		
Mortgage loans	7,995,260	1,580,917
Staff advances	1,597	3,268
	7,996,857	1,584,185
Less: provision for impairment	(26,931)	(26,931)
	7,969,926	1,557,254
Accrued interest	79,370	37,638
	8,049,296	1,594,892
Non-current	4,572,394	777,341
Current	3,397,532	779,913
	7,969,926	1,557,254

8. Equipment	Furniture and equipments $	Computer equipment/ software $	Total $
Year ended 31 December 2013			
Opening net book amount	349,821	361,965	711,786
Additions	30,110	202,228	232,338
Depreciation charge	(72,233)	(230,243)	(302,476)
Net book amount	307,698	333,950	641,648
At 31 December 2013			
Cost	718,516	1,379,842	2,098,358
Accumulated depreciation	(410,818)	(1,045,892)	(1,456,710)
Net book value	307,698	333,950	641,648
Year ended 31 December 2012			
Opening net book amount	376,148	238,585	614,733
Additions	44,037	320,469	364,506
Depreciation charge	(70,364)	(197,089)	(267,453)
Net book amount	349,821	361,965	711,786
At 31 December 2012			
Cost	688,407	1,177,614	1,866,021
Accumulated depreciation	(338,586)	(815,649)	(1,154,235)
Net book value	349,821	361,965	711,786

9. Deferred tax asset	$	$
Balance brought forward	8,900,938	15,548,771
Utilised in the year	(4,879,019)	(7,247,191)
Other movement	625,634	599,358
Balance carried forward	4,647,553	8,900,938

The deferred tax asset is attributable to the following:

	2012 $	(Charge)/ credit to income statement $	Other $	2013 $
Tax losses	5,010,793	(5,010,793)	–	–
Accelerated tax depreciation	132,645	(68,573)	–	64,072
Investments at fair value through profit or loss	2,406,861	170,761	–	2,577,622
Short-term borrowings	10,582	(8,487)	–	2,095
Pension plan asset/liability	1,231,139	20,073	617,134	1,868,346
Other	108,918	18,000	8,500	135,418
	8,900,938	(4,879,019)	625,634	4,647,553

	2011 $	(Charge)/ credit to income statement $	Other $	2012 $
Tax losses	12,389,764	(7,378,971)	–	5,010,793
Accelerated tax depreciation	100,292	32,353	–	132,645
Investments at fair value through profit or loss	2,752,383	(345,522)	–	2,406,861
Short term borrowings	10,582	–	–	10,582
Pension plan asset/liability	295,750	336,031	599,358	1,231,139
Other	–	108,918	–	108,918
	15,548,771	(7,247,191)	599,358	8,900,938

10. Share capital	2013	2012
Authorised		
An unlimited number of ordinary shares of no par value		
Issued and fully paid		
22,000,000 ordinary shares of no par value	25,000,000	25,000,000

	Number of shares	Share capital $	Share option plan $	Total $
As at 1 January 2013	22,000,000	25,000,000	2,155,313	27,155,313
Executive share option plan: - value of services provided	–	–	546,899	546,899
As at 31 December 2013	22,000,000	25,000,000	2,702,212	27,702,212
As at 1 January 2012	22,000,000	25,000,000	962,806	25,962,806
Executive share option plan: - value of services provided	–	–	1,192,507	1,192,507
As at 31 December 2012	22,000,000	25,000,000	2,155,313	27,155,313

Performance share option plan

The Guardian Holdings Group operates a Stock Option Plan for its Executives. A total of 33,890,023 shares have been allocated to this plan since inception inclusive of bonus issues and stock dividends. Increases were approved at the Annual Meeting in 1999, 2004 and in 2011.

The movement in the number of share options outstanding for the year is as follows:

	2013 Average exercise price $	2013 Options	2012 Average exercise price $	2012 Options
At beginning of year	18.00	1,427,228	18.00	929,024
Granted	–	–	18.00	498,204
At end of year	18.00	1,427,228	18.00	1,427,228

The exercise price of the options granted up to 2008 is equal to the average market price of the shares on the three dealing days preceding the date of the grant.

10. **Share capital** (continued)

The exercise price of the options granted from 2011 is the greater of $18.00 and the adjusted reference price. The vesting period is two years. Options are exercisable starting two years from the grant date up to the eighth anniversary of the date of grant. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price	Number of shares 2013	2012
25 September 2021	$18.00	929,024	929,024
12 April 2022	$18.00	498,204	498,204
		1,427,228	1,427,228

11. **Statutory reserve**

The Financial Institutions Act, 2008 requires a financial institution in Trinidad and Tobago to transfer annually a minimum of 10% of its profit after taxation to a reserve fund until the balance on this reserve is not less than the paid up capital of the institution.

12. **Short term borrowings**

		2013 $	2012 $
Repurchase agreements	(i)	5,717,145	3,281,955
		5,717,145	3,281,955
Accrued interest		49,745	50,690
		5,766,890	3,332,645

(i) Repurchase agreements are due within 12 months. Interest rates are fixed throughout the term of the instruments and range from 1.67% to 2.0 (2012: 2% to 2.25%). These borrowings are fully secured by investments.

The Company has not had any defaults of principal, interest or redemption amounts during the period on its short term borrowings funds (2012: Nil).

13. **Post retirement medical benefit obligations**

	2013 $	2012 $
Present value of Plan obligation	541,670	435,670

The amount recognized in the income statement is made up of as follows:

	2013 $	2012 $
Interest costs	23,000	18,544
Service costs	49,000	47,883
	72,000	66,427

The amount recognized in other comprehensive income is made up as follows:

	2013 $	2012 $
Actuarial gains and losses	34,000	–
	34,000	–

The movement in the present value of obligation is as follows:

	2013 $	2012 $
Balance at beginning of year	435,670	261,185
Current service costs	49,000	47,883
Interest costs	23,000	18,544
Actuarial (gains)/losses arising from changes in financial assumptions	(33,000)	106,058
Actuarial losses arising from experience adjustments	67,000	2,000
Balance at end of year	541,670	435,670

The principal actuarial assumptions used were:	2013	2012
Discount rate	4.00%	4.78%
Future premium increases	2.00%	3.00%
Mortality	GAM 94	GAM 94

Expected contributions to be paid in the upcoming financial year are $359,000.

The effect of a 1% movement in the assured medical cost trend rate is as follows:

	Increase	Decrease
Effect on the aggregate of the current service cost and Interest cost	93,574	57,558
Effect on the defined benefit obligation	727,099	407,413

14. **Pension plan liabilities**

	2013 $	2012 $
Fair value of plan assets	16,944,754	15,390,118
Less: Present value of obligation to plan members	(24,417,899)	(20,314,437)
Value of surplus/(obligation)	(7,473,145)	(4,924,319)

The amount recognized in the income statement is made up as follows:

	2013 $	2012 $
Net interest expense	296,470	181,196
Current service costs	1,553,637	1,458,034
	1,850,107	1,639,230

The movement in the fair value of the pension plan assets is as follows:

	2013 $	2012 $
Balance at beginning of year	15,390,118	12,509,236
Interest income	772,792	829,512
Employer contributions	1,769,815	56,407
Employee contributions	–	5,169
Benefit payments	(439,406)	(475,509)
	17,493,319	12,924,815
Actuarial (loss)/gain arising from experience adjustments	(548,565)	2,465,303
Balance at end of year	16,944,754	15,390,118

The movement in the present value of obligation is as follows:

	2013 $	2012 $
Balance at beginning of year	20,314,437	13,692,000
Current service costs	1,553,637	1,219,336
Interest costs	1,069,262	1,010,708
Contributions by plan participants	–	5,169
Benefit payments	(439,406)	(475,509)
Actuarial loss arising from changes in financial assumptions	1,189,010	4,306,724
Actuarial loss arising from experience adjustment	730,959	556,009
Balance at end of year	24,417,899	20,314,437

The principal actuarial assumptions used for accounting purposes were as follows:

	2013	2012
Discount rate	4.00%	4.78%
Future salary increases	2.00%	3.00%
Post-retirement mortality	GAM 94/GAM 83	GAM94/GAM83
Pre-retirement mortality	GAM 94	GAM 94
Future pension increases	0.0% to 3.5%	0.0% to 3.5%
Proportion of employees opting for early retirement	Nil	Nil

The actual return on plan assets was $224,000 (2012: $3,295,000).

Expected contributions to be paid to the plan during the year ended 31 December 2014 are $1,910,000.

15. **Other liabilities**

	2013 $	2012 $
Amounts due to related parties (Note 27)	2,227,099	911,983
Accrued expenses	9,465,841	8,212,793
Other payables	132,575	180,201
Amounts due to customers	1,808,869	1,921,655
	13,634,384	11,226,632

16. **Asset administration fees**

These relate to investment management fees charged to affiliated companies.

17. **Management fees**

	2013 $	2012 $
Guardian Asset Management Mutual Funds	22,333,643	26,782,295
Praetorian Property Mutual Fund	1,608,936	1,683,945
Affiliated companies	615,593	699,406
	24,558,172	29,165,646

	2013 $	2012 $
18. Investment income		
Investments at fair value through profit or loss		
– interest and dividend income	6,056,082	4,680,196
Loans and advances – interest income	115,274	133,332
Cash and cash equivalents – interest income	6,721	7,375
	6,178,077	4,820,903
19. Interest expense		
Short term borrowings	99,324	1,000,834
	99,324	1,000,834
20. Net foreign exchange gains		
Realised foreign exchange (losses)/gains - investments	(23,909)	45,185
Realised foreign exchange gains/(losses) - other	221,246	(90,251)
Unrealised foreign exchange gains - investments	152,604	67,163
Unrealised foreign exchange (losses)/gains - other	(8,385)	42,606
	341,556	64,703
21. Management and operating expenses		
Staff costs (Note 22)	22,409,856	20,262,341
Administrative and other expenses	6,491,130	5,896,064
Depreciation	302,476	267,453
Marketing costs	1,054,377	801,970
Directors´ fees	180,000	202,500
Other fees	970,557	1,692,756
Technical fees	3,417,930	1,915,159
	34,826,326	31,038,243
22. Staff costs		
Salaries and benefits	19,964,613	18,122,784
Post retirement medical benefits	72,000	66,427
Pension costs	1,850,107	1,639,230
National Insurance	523,136	433,900
	22,409,856	20,262,341
Average number of employees during the year	65	62

	2013 $	2012 $
23. Taxation		
Corporation tax	1,459,898	–
Business and green fund levies	184,846	176,339
Deferred tax (Note 10)	4,879,019	7,247,191
	6,523,763	7,423,530

The tax on profit differs from the theoretical amount that would arise using the basic rate of tax as follows:

	2013 $	2012 $
Profit before taxation	26,056,955	29,179,589
Tax calculated at 25%	6,514,239	7,294,897
Income not subject to tax	(122,861)	(57,288)
Expenses not deductible for tax	40,371	26,189
Business and green fund levies	60,921	176,339
Other	(38,073)	(16,607)
Adjustments to tax losses in prior years	69,166	–
	6,523,763	7,423,530

The Company has no tax losses that are available for set off against future chargeable profits (2012: $20,042,181).

24. **Dividends**

Dividends accounted for as an appropriation of retained earnings are as follows:

	2013 $	2012 $
Final 2012 – 93 cents (Final 2011 – 80.65 cents)	20,460,043	17,743,017

25. **Assets under management**

There are assets under management that are not beneficially owned by the company but which are managed by the company on behalf of investors and other companies within the group and are not included on the Statement of Financial Position.

	2013 $	2012 $
Affiliated Companies and managed funds (Note 25.1)	7,640,645,547	7,117,512,715
Mutual funds		
- Praetorian Property Mutual Fund	198,230,083	206,950,151
- Guardian Asset Management Mutual Funds (Note 25.2)	1,409,966,118	1,442,348,433
Individuals	504,142,962	460,140,811
Total assets under management	9,752,984,710	9,226,952,110

	2013 $	2012 $
25.1 Affiliated Companies and Managed Funds		
Guardian General Insurance Limited	572,155,584	605,217,484
Guardian Life of the Caribbean Limited	6,314,645,011	5,775,884,566
Bancassurance Caribbean Limited	296,108,211	284,563,619
Fatum Life N. V.	56,697,620	60,708,929
Guardian Asset Management & Investment Services Limited	1,131,933	5,123,776
Caribbean Atlantic Life Insurance Company	19,711,882	19,248,338
Guardian Defined Benefit Pension Fund Plan	310,712,253	293,770,503
Harvester Growth Fund	16,055,729	15,412,616
Harvester Income Fund	53,427,324	57,582,884
	7,640,645,547	7,117,512,715
25.2 Guardian Asset Management Mutual Funds		
TT Monthly Income Fund	622,904,398	628,196,542
US Monthly Income Fund	629,623,043	658,021,475
Pan Caribbean Balanced Fund	21,752,758	19,954,854
North American Equity Fund	17,595,050	15,654,192
European Equity Fund	16,296,351	14,229,356
Asia Pacific Rim Equity Fund	14,789,282	15,093,952
Bric Equity Fund	29,201,084	36,244,213
Aggressive Fund	20,365,679	19,775,157
Moderate Fund	8,737,805	7,454,258
Conservative Fund	6,550,282	6,463,543
Global Bond Fund	8,597,478	9,063,601
New Economy Fund	7,854,197	5,842,057
Emerging Markets Bond Fund	5,698,711	6,355,233
	1,409,966,118	1,442,348,433

26. **Financial risk management**

The Company is exposed to financial risk through its financial assets and financial liabilities. The Company´s principal financial liability is short-term borrowings. The main purpose of these financial liabilities is to raise finances for the Company´s investing opportunities. The Company has loans and advances, other receivables, and cash and cash equivalents that arrive directly from its operations. The Company also holds investments at fair value through profit and loss.

The components of financial risk that the Company is exposed to are market risk, credit risk and liquidity risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

Risk management is carried out by a Risk Management Committee under policies approved by the board of directors. The Board provides principles for overall risk management, supported by policies covering specific areas such as foreign exchange risk, interest rate risk and credit risk.

26.1 Credit risk

a) Definition

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

b) Management of risk

The Company minimises its credit risk by limiting its investments primarily to counterparties to Government, major banks and financial institutions and secured corporate issues.

c) Maximum exposure to credit risk before collateral held or other credit enhancements

The following table shows assets bearing credit risk for the Company:

	2013 $	2012 $
Debt securities	59,955,832	74,733,850
Deposits with financial institutions(more than 90 days)	8,981,447	19,161,965
Loans and advances	8,049,296	1,594,892
Cash and cash equivalents	61,734,578	34,345,405
Other assets	5,900,494	3,117,556
	144,621,647	132,953,668

26.1 Credit risk.

c) Maximum exposure to credit risk before collateral held or other credit enhancements (continued)

Debt securities comprise of sovereign debt and corporate debt. Sovereign debt is secured by the relevant Government Guarantee, whilst Corporate Debt is generally supported by a charge over the fixed and floating assets of the corporate entity. Balances held with other financial institutions are secured by deposit insurance and amounts due from individual clients are backed by a legal charge over the clients' portfolios and real estate where applicable.

d) Analysis of financial assets

	Neither past due nor impaired $	Past due but not impaired $	Impaired $	Total $
Year ended 31 December 2013				
Debt securities	59,314,323	–	641,509	59,955,832
Deposits with financial institutions (more than 90 days)	8,981,447	–	–	8,981,447
Loans and advances	7,764,383	–	284,913	8,049,296
Cash and cash equivalents	61,734,578	–	–	61,734,578
Other assets	5,900,494	–	–	5,900,494
	143,695,225	–	926,422	144,621,647

	Neither past due nor impaired $	Past due but not impaired $	Impaired $	Total $
Year ended 31 December 2012				
Debt securities	74,094,551	–	639,299	74,733,850
Deposits with financial institutions (more than 90 days)	19,161,965	–	–	19,161,965
Loans and advances	1,167,254	142,725	284,913	1,594,892
Cash and cash equivalents	34,345,405	–	–	34,345,405
Other assets	3,033,330	84,226	–	3,117,556
	131,802,505	226,951	924,212	132,953,668

(i) Financial assets neither past due nor impaired

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings if available or to a rating assigned by the investment manager using an approach consistent with that used by Standard & Poor's. The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Standard & Poor's issued credit rating.

A
An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

BBB
An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

BB and below
Obligations rated 'BB and below' are regarded as having significant speculative characteristics. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

Not rated
This indicates that there is insufficient information on which to base a rating. This classification includes obligations due from related parties, individuals and short-term securities. These balances are current and are regularly monitored for impairment.

	A $	BBB $	BB and below $	Not rated $	Total $
Year ended 31 December 2013					
Debt securities	20,716,377	31,011,788	7,586,158	–	59,314,323
Deposits with financial institutions	–	5,014,376	3,967,071	–	8,981,447
Loans and advances	–	–	–	7,764,383	7,764,383
Cash and cash equivalents	10,829,761	45,469,399	5,435,418	–	61,734,578
Other assets	–	–	3,360,131	2,540,363	5,900,494
	31,546,138	81,495,563	20,348,778	10,304,746	143,695,225

(i) Financial assets neither past due nor impaired (continued)

	A $	BBB $	BB and below $	Not rated $	Total $
Year ended 31 December 2012					
Debt securities	33,083,598	22,978,453	16,464,257	1,568,243	74,094,551
Deposits with financial institutions	–	11,660,637	7,501,328	–	19,161,965
Loans and advances	–	–	–	1,167,254	1,167,254
Cash and cash equivalents	8,341,712	17,835,108	8,168,585	–	34,345,405
Other assets	–	121,226	–	2,912,104	3,033,330
	41,425,310	52,595,424	32,134,170	5,647,601	131,802,505

(ii) Financial assets that are past due but not impaired

The aging analysis of these financial assets is as follows:

	2013 $	2012 $
Up to 3 months	–	–
3 to 6 months	–	–
Over 6 months	–	226,951
	–	226,951

The fair value of collateral held in respect of these assets amounted to nil (2012: $559,543).

(iii) Financial assets that are impaired

	Carrying value 2013 $	Carrying value 2012 $	Fair value of collateral held 2013 $	Fair value of collateral held 2012 $
Financial assets at fair value through profit or loss	641,509	639,299	641,509	639,299
Other loans and receivables	284,913	284,913	614,935	641,935

Unrealised losses recognised in the income statement for impaired investment securities is nil (2012: $415,799).

e) Concentration of risks of financial assets with credit risk exposure

The following table breaks down the Company's main credit risk exposure at their carrying amounts, as categorised by the industry sectors of counterparties:

	Financial institutions $	Public sector $	Other industries $	Individuals $	Total $
At 31 December 2013					
Debt securities	22,157,829	27,118,406	10,679,597	–	59,955,832
Deposits with financial institutions (more than 90 days)	8,981,447	–	–	–	8,981,447
Other loans and receivables	–	–	5,136,768	2,912,528	8,049,296
Cash and cash equivalents	61,734,578	–	–	–	61,734,578
Other assets	3,760,337	–	953,868	1,186,289	5,900,494
	96,634,191	27,118,406	16,770,233	4,098,817	144,621,647

	Financial institutions $	Public sector $	Other industries $	Individuals $	Total $
At 31 December 2012					
Debt securities	33,273,522	33,241,182	8,219,146	–	74,733,850
Deposits with financial institutions (more than 90 days)	19,161,965	–	–	–	19,161,965
Other loans and receivables	–	–	9,079	1,585,813	1,594,892
Cash and cash equivalents	34,345,405	–	–	–	34,345,405
Other assets	2,285,920	–	–	831,636	3,117,556
	89,066,812	33,241,182	8,228,225	2,417,449	132,953,668

26.2 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk, each of which are considered below.

a) Currency risk

i) Definition

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

ii) Management of risk

The Company's assets and liabilities are denominated in Trinidad and Tobago dollars and United States dollars. The strategy for dealing with currency risk is to offset as far as possible foreign currency liabilities with assets denominated in the same currency.

iii) Concentration of currency risk

The following table analyses the Company's exposure to currency risk of monetary assets and liabilities by currency:

	TT $	US $	Total $
As at 31 December 2013			
Assets			
Cash and cash equivalents	11,161,624	50,572,954	61,734,578
Investment securities	25,956,192	44,428,621	70,384,813
Loans and advances	8,012,528	36,768	8,049,296
Other assets	5,845,058	55,436	5,900,494
Total assets	50,975,402	95,093,779	146,069,181
Liabilities			
Short term borrowings	3,672,632	2,094,258	5,766,890
Other liabilities	2,359,674	1,808,869	4,168,543
Total liabilities	6,032,306	3,903,127	9,935,433
Net statement of financial position	44,943,096	91,190,652	

	TT $	US $	Total $
As at 31 December 2012			
Assets			
Cash and cash equivalents	7,943,199	26,402,206	34,345,405
Investment securities	25,815,990	70,173,097	95,989,087
Loans and advances	1,585,813	9,079	1,594,892
Other assets	2,708,030	409,526	3,117,556
Total assets	38,053,032	96,993,908	135,046,940
Liabilities			
Short term borrowings	3,332,645	–	3,332,645
Other liabilities	1,092,184	1,921,655	3,013,839
Total liabilities	4,424,829	1,921,655	6,346,484
Net statement of financial position	33,628,203	95,072,253	

iv) Sensitivity analysis

As at 31 December 2013, if the Trinidad and Tobago dollar had weakened/strengthened by 0.4% against the United States dollar with all other variables held constant, post-tax profit for the year and net equity would have been TT$364,763. (2012: TT$285,217) higher/lower, mainly as a result of foreign exchange gains/losses on translation of United States dollar denominated investments at fair value through profit or loss and short term borrowings.

b) Interest rate risk

i) Definition

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

ii) Management of risk

The company may be exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. Exposure is managed largely by the use of natural hedges that arise by matching interest sensitive assets with liabilities of a similar nature.

iii) Concentration of interest rate risk

The table below summarizes the Company's exposure to interest rate risks. Included in the table are the company's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

	Up to one year $	One to five years $	Over five years $	Total $
As at 31 December 2013				
Assets				
Cash and cash equivalents	61,734,578	–	–	61,734,578
Investment securities	10,974,035	30,066,874	27,896,370	68,937,279
Loans and advances	3,476,951	1,072,345	3,500,000	8,049,296
Other assets	5,900,494	–	–	5,900,494
Total assets	82,086,058	31,139,219	31,396,370	144,621,647
Liabilities				
Short-term borrowings	5,766,890	–	–	5,766,890
Other liabilities	4,168,543	–	–	4,168,543
Total liabilities	9,935,433	–	–	9,935,433
Interest sensitivity gap	72,150,625	31,139,219	31,396,370	

	Up to one year $	One to five years $	Over five years $	Total $
As at 31 December 2012				
Assets				
Cash and cash equivalents	34,345,405	–	–	34,345,405
Investment securities	33,697,538	35,730,846	24,467,431	93,895,815
Loans and advances	816,332	778,560	–	1,594,892
Other assets	3,117,556	–	–	3,117,556
Total assets	71,976,831	36,509,406	24,467,431	132,953,668
Liabilities				
Short term borrowings				
Other liabilities	3,332,645	–	–	3,332,645
	3,013,839	–	–	3,013,839
Total liabilities				
	6,346,484	–	–	6,346,484
Interest sensitivity gap	65,630,347	36,509,406	24,467,431	

iv) Sensitivity analysis

As at 31 December 2013, if interest rates had been 1% higher/lower with all other variables held constant, post-tax profit for the year and net equity would have been $3,625,441 (2012: $3,642,142) lower/higher, mainly as a result of higher/lower unrealised losses/gains on fixed rate investments and interest expense on short term borrowings.

c) Price risk

i) Definition

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instruments or issuer, or factors affecting all similar financial instruments traded in the market.

ii) Management of risk

The Company has no significant exposure to price risk as its financial assets are substantially comprised of debt securities and deposits with financial institutions.

26.3 Liquidity risk

i) Definition

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

ii) Management of risk

The Company manages its liquidity risk by various asset/liability-matching techniques. Liquidity risk is further mitigated by the marketable nature of the Company's assets.

iii) Maturity analysis of financial assets and liabilities

The following table analyses the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at statement of financial position date to the contractual maturity date. The amounts disclosed in respect of financial liabilities are the contractual undiscounted cash flows.

26.3 Liquidity risk (continued)

iii) Maturity analysis of financial assets and liabilities (continued)

	Carrying amount $	Up to one year $	One to five years $	Over five years $	Total $
As at 31 December 2013					
Liabilities					
Short term borrowings	5,766,890	5,790,829	–	–	5,790,829
Other liabilities	4,168,543	4,168,543	–	–	4,168,543
Total liabilities (contractual undiscounted cash flows)	9,935,433	9,959,372	–	–	9,959,372
Total assets (maturity profile of assets)		82,086,058	31,139,219	31,396,370	144,621,674

	Carrying amount $	Up to one year $	One to five years $	Over five years $	Total $
As at 31 December 2012					
Liabilities					
Short-term borrowings	3,332,645	3,353,549	–	–	3,353,549
Other liabilities	3,013,839	3,013,839	–	–	3,013,839
Total liabilities (contractual undiscounted cash flows)	6,346,484	6,367,388	–	–	6,367,388
Total assets (maturity profile of assets)		71,976,831	36,509,406	24,467,431	132,953,668

26.4 Capital risk management

Shareholder's Equity comprise of Share Capital, Statutory Reserve and Retained Earnings.

The Company holds a licence under the Financial Institutions (Non-Banking) Act 2008 to carry on business of a financial nature and as such has to comply with the following capital requirements:

- The Company is required to have a minimum paid up share capital of TTD$15,000,000.
- The Company must transfer a minimum of 10% of its Profit After Taxation to the Statutory Reserve Fund until the balance on the Fund is not less than the paid up capital of the Institution.
- The Company's qualifying capital shall not be less than 8% of its risk adjusted assets. The actual ratio for the Company was in excess of this requirement as of 31 December 2013. The Company meets its objectives for managing capital and ensures adherence to the requirements of Regulatory Authorities through continuous monitoring and awareness of the regulations and by ensuring that the relevant procedures and controls are in place within the Company's systems.

26.5 Fair values of financial assets and liabilities

Financial assets and liabilities not carried at fair value include cash and cash equivalents, loans to customers, short term borrowings and other financial assets and liabilities. The following are comments relevant to their fair value.

Cash and cash equivalents, short term borrowings, other financial assets and liabilities

The carrying amounts are a reasonable estimate of fair values because of their short term nature.

Loans and advances

These assets result from transactions conducted under typical market conditions and their values are not affected by unusual terms. The inherent rates of interest in the portfolio approximate market conditions and yield discounted cash flows, which are substantially consistent with their carrying values.

Classification – Fair values of financial instruments

The classification of financial instruments at fair value can be determined by reference to the source of inputs used to derive the fair value. The classification uses the following three-level hierarchy:

Level 1

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

Level 2

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

Level 3

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

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

	Level 1 $	Level 2 $	Level 3 $	Total $
Year ended 31 December 2013				
Government bonds	9,076,667	20,529,337	–	29,606,004
Corporate bonds	4,747,806	24,265,998	641,509	29,655,313
Mutual funds	8,973,340	–	–	8,973,340
Equities	1,061,224	–	386,310	1,447,534
Accrued interest	253,576	449,046	–	702,622
	24,112,613	45,244,381	1,027,819	70,384,813

	Level 1 $	Level 2 $	Level 3 $	Total $
Year ended 31 December 2012				
Government bonds	3,584,945	12,730,841	–	16,315,786
Corporate bonds	13,870,830	39,854,677	639,299	54,364,806
Mutual funds	8,232,186	–	–	8,232,186
Promissory notes	–	–	3,137,900	3,137,900
Equities	1,611,802	–	481,470	2,093,272
Accrued interest	306,847	566,214	42,573	915,634
	27,606,610	53,151,732	4,301,242	85,059,584

If the yields on Level 3 debt securities had increased/decreased by 1% with all other variables held constant, profit for the year would have been $232,897 higher/lower. If prices of Level 3 equity securities had increased/decreased by 10% with all other variables held constant, profit for the year would have been $38,631 higher/lower.

The following table presents the valuation techniques and key inputs that were used to determine the fair value of assets and liabilities categorised under Level 2 and Level 3 of the fair value hierarchy:

	Valuation technique	Range	Significant unobservable input
Financial assets at fair value through P&L:			
Government bonds Corporate bonds	DCF method	0.0% to 6.85%	Credit spread for non-performance risk
Equities	Held at cost	n/a	n/a

The Company does not regard that any reasonable change in the valuation assumptions of Level 3 assets and liabilities will have any significant impact on the financial statements.

Fair value measurement (IFRS 13) is effective for annual periods beginning on or after 1 January 2013. The Company has availed the exemption under IFRS 13.C3 whereby disclosure requirements need not be applied in comparative information provided for periods before initial application of the IFRS. However, the fair value hierarchy for financial instruments measured at fair value is provided for 2012 since the same was provided in the Company's 2012 financial statements as previously required by IFRS 7.27A. These disclosures were required only for financial instruments measured at fair value.

The following table shows a reconciliation of Level 3 financial instruments during the year.

26.5 Fair values of financial assets and liabilities (continued)

Financial assets at fair value through profit or loss	At 1 January 2013 $	Total gain/(loss) in income statement $	Sales/ maturities $	At 31 December 2013 $	Total gain/(loss) included in income statement for assets held as at 31 December 2013 $
Corporate bonds	639,299	2,210	–	641,509	2,210
Promissory notes	3,137,900	–	(3,137,900)	–	–
Equities	481,470	(95,160)	–	386,310	(95,160)
Accrued interest	42,573	(42,573)	–	–	–
	4,301,242	(135,523)	(3,137,900)	1,027,819	(92,950)

Financial assets at fair value through profit or loss	At 1 January 2012 $	Total gain/(loss) in income statement $	Transfers to/(from) Level 3 $	Purchases $	Sales/ maturities $	At 31 December 2012 $	Total gain/(loss) included in income statement for assets held as at 31 December 2012 $
Corporate bonds	10,794,247	6,730	(10,161,678)	–	–	639,299	(415,799)
Promissory notes	11,000,000	–	1,600,000	1,537,900	(11,000,000)	3,137,900	–
Equities	481,170	300	–	–	–	481,470	300
Accrued interest	291,322	(248,749)	–	–	–	42,573	–
	22,566,739	(241,719)	(8,561,678)	1,537,900	(11,000,000)	4,301,242	(415,499)

Gains or losses (realized and unrealized) for the period are presented in the income statement as follows:

	Realised gains $	Fair value gains and losses $	Total $
Year ended 31 December 2013			
Total gains or losses included in the income statement for the period	–	(92,950)	(92,950)
Year ended 31 December 2012			
Total gains or losses included in the income statement for the period	–	(415,499)	(415,499)

27. **Related party transactions**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

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

27. **Related party transactions** (continued)

	2013 $	2012 $
i) **Income**		
Parent company		
- Arrangement fees	496,059	190,792
- Interest income	34,129	49,183
Affiliated companies		
- Asset administration fees	18,535,399	17,526,745
- Management fees	24,558,172	29,165,646
- Interest income	640,880	987,701
- Realised gains	2,960,030	–
	47,224,669	47,920,067
ii) **Expenses**		
Affiliated companies		
- Rental charges	1,160,730	1,178,629
- Management fees	3,417,930	1,915,159
- Lease rentals	878,125	728,624
- Marketing costs	935,717	–
	6,392,502	3,822,412
iii) **Key management compensation**		
Salaries and other short-term benefits	6,422,341	7,490,899
Share based payments	2,812,191	1,120,681
Post employment benefits	651,872	149,346
	9,886,404	8,760,926
iv) **Investments at fair value through profit or loss**		
- Parent company	496,553	498,165
- Affiliated company	16,002,416	12,854,011
	16,498,969	13,352,176
v) **Year-end balances**		
Due from affiliated companies		
- Affiliated companies	3,760,337	2,285,920
Due to parent and affiliated companies		
- Parent company	46,202	54,801
- Affiliated company	2,180,897	857,182
	2,227,099	911,983

These amounts are unsecured, non-interest bearing and have no fixed repayment term.

28. **Contingent liabilities**

The Company is a defendant in a legal action arising out of its normal course of business. In the opinion of the directors, after taking appropriate legal advice, the action is not likely to succeed and accordingly no provision for any liability has been made in these financial statements.

29. **Commitments**

The future aggregate minimum lease payments under operating leases are as follows:

	2013 $	2012 $
Not later than one year	165,600	36,000
Later than one year and no later than five years	220,800	–
	386,400	36,000

Rental expense under these leases amount to $165,600 for the year ended 31 December 2013 (2012: $165,600).