Guardian Group

Guardian Asset Management Limited

Financial Statements

For The Year Ended 31 December 2014

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 presents fairly, in all material respects, 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 2014, the Company's internal control mechanisms have been assessed by management as being effective. In management's opinion, the financial statements presents fairly, in all material respects, 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

Brent Ford
Managing Director
5th March 2015

T Merritt

Thandi Merritt
Chief Accountant
5th March 2015

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 2014, 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 presents fairly, in all material respects, the financial position of the Company as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

Port of Spain,
Trinidad
26 February 2015

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2014

	Notes	2014 $	2013 $
Assets			
Equipment	4	663,623	641,648
Investments at fair value through profit or loss	5	85,310,289	70,384,813
Loans and advances	6	12,942,544	8,049,296
Deferred tax asset	7	4,610,578	4,647,553
Taxation recoverable		443,847	443,847
Receivables and prepayments	8	5,934,421	6,311,388
Cash and cash equivalents	9	38,682,950	61,734,578
Total assets		148,588,252	152,213,123
Shareholders' equity			
Share capital	10	27,022,520	27,702,212
Statutory reserve	11	13,589,605	11,508,078
Retained earnings		84,873,910	84,126,846
Total shareholders' equity		125,486,035	123,337,136
Liabilities			
Short term borrowings	12	9,384,759	5,766,890
Post-retirement medical benefit obligation	13	628,901	541,670
Pension plan liabilities	14	5,692,362	7,473,145
Provision for taxation		493,671	1,459,898
Payables and accruals	15	6,902,524	13,634,384
Total liabilities		23,102,217	28,875,987
Total shareholders' equity and liabilities		148,588,252	152,213,123

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

On 5th March 2015, the Board of Directors of Guardian Asset Management Limited authorised these financial statements for issue.

Director

Brent Ford

Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 $	2013 $
Asset administration fees	16	19,639,050	18,535,399
Management fees	17	30,609,338	24,558,172
Portfolio management fees		3,782,556	3,346,862
Other fees and commissions		130,056	2,992,993
Fee and commission income		54,161,000	49,433,426
Investment income	18	5,399,157	6,178,077
Interest expense	19	(259,485)	(99,324)
Realised gains on sale of investments		2,609,056	5,086,469
Unrealised losses on investments		(932,869)	(56,923)
Net foreign exchange (losses)/gains	20	(1,317,391)	341,556
Net investment and other income		5,498,468	11,449,855
Net income		59,659,468	60,883,281
Management and operating expenses	21	(31,832,442)	(34,826,326)
Profit before taxation		27,827,026	26,056,955
Taxation	23	(7,011,761)	(6,523,763)
Profit after taxation		20,815,265	19,533,192
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Actuarial losses on post-retirement medical benefit obligation	13	(14,475)	(34,000)
Remeasurement of pension plan liabilities	13	1,250,666	(2,468,534)
Income tax relating to components of other comprehensive income	7	(309,047)	625,634
Other comprehensive loss for the year, net of tax		927,144	(1,876,900)
Total comprehensive income for the year		21,742,409	17,656,292

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital $	Statutory reserve $	Retained earnings $	Total shareholders' equity $
Year ended 31 December 2014				
Balance at beginning of year	27,702,212	11,508,078	84,126,846	123,337,136
Total comprehensive income	–	–	21,742,409	21,742,409
Share option scheme –				
value of services provided	56,490	–	–	56,490
value of lapsed options	(736,182)	–	736,182	–
Dividend paid	–	–	(19,650,000)	(19,650,000)
Transfer to statutory reserve	–	2,081,527	(2,081,527)	–
Balance at end of year	27,022,520	13,589,605	84,873,910	125,486,035
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

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 $	2013 $
Cash flows from operating activities		
Profit before taxation	27,827,026	26,056,955
Adjustments for:		
Exchange adjustment	(594,550)	207,165
Realised gains on sale of investments	(2,609,056)	(5,086,469)
Unrealised losses on investments	932,869	56,923
Net foreign exchange losses/(gains)	1,317,391	(341,556)
Share option scheme – value of services provided	56,490	546,899
Net post employment obligations	(457,362)	152,292
Depreciation	186,406	302,476
Operating profits before changes in operating assets/liabilities	26,659,215	21,894,685
Purchase of investments	(248,505,970)	(422,562,907)
Proceeds on sale of investments	234,773,594	453,096,227
Net increase in loans and advances	(4,726,555)	(6,412,672)
Net movement in related parties	(800,644)	(159,301)
Net (increase)/decrease in interest receivable	(500,926)	187,463
Net decrease/(increase) in sundry debtors and prepayments	113,921	(1,337,989)
Net increase/(decrease) in interest payable	35,080	(945)
Net (decrease)/increase in other liabilities	(5,668,170)	1,092,636
Cash provided by operating activities	1,379,545	45,797,197
Taxation paid	(8,250,060)	(156,528)
Net cash (used in)/provided by operating activities	(6,870,515)	45,640,669
Cash flows from investing activities		
Purchase of equipment	(208,381)	(232,338)
Net cash used in investing activities	(208,381)	(232,338)
Cash flows from financing activities		
Dividend paid	(19,650,000)	(20,460,043)
Proceeds from short term borrowings	33,191,148	19,800,640
Repayments of short term borrowings	(29,513,880)	(17,359,755)
Net cash used in financing activities	(15,972,732)	(18,019,158)
Net (decrease)/increase in cash and cash equivalents	(23,051,628)	27,389,173
Cash and cash equivalents at beginning of year	61,734,578	34,345,405
Cash and cash equivalents at end of year	38,682,950	61,734,578

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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 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 2014

The following amendments to published standards are mandatory for the Company's accounting periods beginning on or after 1 January 2014:

IFRS 10, IFRS 12 and IAS 27 Investment Entities – Amendments

The investment entities amendments apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meets the definition of an investment entity.

The key amendments include:
- Investment entity is defined.
- An investment entity must meet three elements of the definition and consider four typical characteristics, in order to qualify as an investment entity.
- An entity must consider all facts and circumstances, including its purpose and design, in making its assessment.
- An investment entity accounts for its investments in subsidiaries, associates and joint ventures at fair value through profit or loss in accordance with IFRS 9 (or IAS 39, as applicable), except for investments in subsidiaries, associates and joint ventures that provide services that relate only to the investment entity, which must be consolidated (investments in subsidiaries) or accounted for using the equity method (investments in associates or joint ventures).
- An investment entity must measure its investment in another controlled investment entity at fair value.
- A non-investment entity parent of an investment entity is not permitted to retain the fair value accounting that the investment entity subsidiary applies to its controlled investees.
- For venture capital organisations, mutual funds, unit trusts and others that do not qualify as investment entities, the existing option in IAS 28, to measure investments in associates and joint ventures at fair value through profit or loss, is retained.

These amendments have no impact on the Company, since it does not qualify as an investment entity under IFRS 10.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

The amendments to IAS 32 clarify the following:
- The meaning of "currently has a legally enforceable right to set-off".
- The application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems), which apply gross settlement mechanisms that are not simultaneous.
- Rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. Rights of set-off must not be contingent on a future event.
- Only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion.

The amendments have no impact on the Company's financial position or performance.

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

The following are the amendments to IAS 36:
- Removal of the requirement to disclose recoverable amount for cash generating units (CGU) that contains goodwill or indefinite useful life intangible assets when there has been no impairment.

- Disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed.
- Detailed disclosure of how the fair value less cost of disposal has been measured when an impairment loss has been recognised or reversed.

The amendments only affect disclosures and had no impact on the Company.

IFRIC 21 Levies

IFRIC 21 is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 Income Taxes) and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached.

IFRIC 21 did not have any impact on the financial position or performance of the Company.

ii. New standards and amendments/revisions to published standards and interpretations effective in 2014 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:

- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39 - Effective January 1 2014

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

- IAS 16 and IAS 38 - Amendments - Clarification of acceptable methods of depreciation and amortisation - Effective 1 January 2016
- IAS 16 and IAS 41 - Amendments - Agriculture: Bearer Plants - Effective 1 January 2016
- IAS 19 Defined Benefit Plans: Employee Contributions - Amendments to IAS 19 - Effective 1 January 2015
- IAS 27 - Amendments - Equity method in separate financial statements - Effective 1 January 2016
- IFRS 9 Financial Instruments - Classification and Measurement - Effective 1 January 2018
- IFRS 11 - Amendments - Accounting for acquisitions of interests in joint operations - Effective 1 January 2016
- IFRS 14 Regulatory Deferral Accounts - Effective 1 January 2016
- IFRS 15 Revenue from Contracts with Customers - Effective 1 January 2017
- Annual improvements to IFRSs 2010 - 2012 Cycle - Effective 1 January 2015
- IFRS 2 Shared Based Payment
- IFRS 3 Business Combinations
- IFRS 8 Operating Segments
- IFRS 13 Fair Value Measurement
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
- IAS 24 Related Party Disclosure

- Annual improvements to IFRSs 2011 - 2013 Cycle - Effective 1 January 2015
- IFRS 1 First time adoption of International Financial Reporting Standards
- IFRS 3 Business Combinations
- IFRS 13 Fair Value Measurement
- IAS 40 Investment Property

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 functional/presentation 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 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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the settlement date.

The Company's financial assets include cash, deposits with financial institutions, interest receivable, equity securities, debentures and corporate bonds and loans and receivables.

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.

Deferred tax is provided, using the liability method, on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities, which affect neither accounting nor taxable profit. Deferred tax assets are taxes recoverable in future periods in respect of deductible temporary differences and tax losses carried forward. Net deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The principal temporary differences arise from tax losses, accelerated tax depreciation, investments at fair value through profit or loss and short term borrowings.

l. Employee benefits

(i) <u>Pension plans</u>

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) <u>Share-based compensation</u>

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 over 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 and reused. 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) <u>Post retirement medical benefit obligations</u>

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 by the Board of Directors.

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. Estimates and judgements 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 financial instruments

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 2014; 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$22,921,735 (2013: TT$20,580,460). If the yields had increased/decreased by 1% with all other variables held constant, profit for the year would have been TT$1,764,029 (2013: TT$1,660,654) 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 2014, gross financial assets totalled $14,168,673 (2013: $14,168,674) against which impairment allowances of $13,419,343 (2013: $13,242,251) has been made. The net carrying value of these assets is $749,330 (2013: $926,422).

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.

4. Equipment

	Furniture and equipment $	Computer equipment/ software $	Total $
Year ended 31 December 2014			
Opening net book amount	307,698	333,950	641,648
Additions	94,306	114,075	208,381
Depreciation charge	(74,990)	(111,416)	(186,406)
Net book amount	327,014	336,609	663,623
At 31 December 2014			
Cost	812,823	1,493,916	2,306,739
Accumulated depreciation	(485,808)	(1,157,308)	(1,643,116)
Net book value	327,014	336,608	663,623
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

5. Investments at fair value through profit or loss

	2014 $	2013 $
Government bonds	37,314,076	30,062,075
Corporate bonds	37,590,047	29,893,757
Mutual funds	8,979,815	8,981,447
Equities	1,426,351	1,447,534
	85,310,289	70,384,813
Principal	84,273,434	69,682,191
Accrued interest	1,036,855	702,622
	85,310,289	70,384,813
Non-current	72,701,475	57,282,108
Current	11,571,959	12,400,083
	84,273,434	69,682,191

The movements in investments may be summarised as follows:

	2014 $	2013 $
At beginning of year	69,682,191	95,057,270
Additions	248,505,970	422,562,907
Disposals (sales and redemptions)	(232,332,493)	(448,033,667)
Fair value net gains/(losses)	(932,869)	(56,923)
Exchange adjustments	(649,365)	152,604
At end of the year	84,273,434	69,682,191

The carrying amount of financial assets above that was pledged as collateral for liabilities is $10,283,035 (2013: $10,050,764).

6. Loans and advances

	2014 $	2013 $
Mortgage loans and other advances	12,723,412	7,996,857
Less: provision for impairment	(26,931)	(26,931)
	12,696,481	7,969,926
Accrued interest	246,063	79,370
	12,942,544	8,049,296
Non-current	4,539,498	4,572,394
Current	8,156,983	3,397,532
	12,696,481	7,969,926

7. Deferred tax asset

Balance brought forward	4,647,553	8,900,938
Utilised in the year	272,074	(4,879,019)
Other movements	(309,049)	625,634
Balance carried forward	4,610,578	4,647,553

The deferred tax asset is attributable to the following:

	2013 $	(Charge)/ credit to income statement $	Other $	2014 $
Accelerated tax depreciation	64,072	(30,365)	–	33,707
Investments at fair value through profit or loss	2,577,622	423,312	–	3,000,934
Short-term borrowings	2,095	(6,533)	–	(4,438)
Pension plan liability	1,868,346	(132,529)	(312,668)	1,423,149
Other	135,418	18,189	3,619	157,226
	4,647,553	272,074	(309,049)	4,610,578

	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 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

8. Receivables and prepayments

	2014 $	2013 $
Amounts due from related parties (Note 27)	3,497,291	3,760,337
Sundry debtors	1,796,878	2,140,157
Prepayments	640,252	410,894
	5,934,421	6,311,388

9. Cash and cash equivalents

Cash on hand and amounts due from other financial institutions	38,682,950	61,734,578

10.Share capital

	2014	2013
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 2014	22,000,000	25,000,000	2,702,212	27,702,212
Executive share option plan:				
- value of services provided	–	–	56,490	56,490
- value of lapsed options	–	–	(736,182)	(736,182)
As at 31 December 2014	22,000,000	25,000,000	2,022,520	27,022,520
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

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.

	2014 Average exercise price $	2014 Options	2013 Average exercise price $	2013 Options
At beginning of year	18.00	1,427,228	18.00	1,427,228
Granted	–	–	–	–
Lapses	–	(384,767)	–	–
At end of year	18.00	1,042,461	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.

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 2014	2013
25 September 2021	$18.00	580,866	929,024
12 April 2022	$18.00	461,595	498,204
		1,042,461	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

		2014 $	2013 $
Repurchase agreements	(i)	9,299,934	5,717,145
		9,299,934	5,717,145
Accrued interest		84,825	49,745
		9,384,759	5,766,890

(i) Repurchase agreements are due within 12 months. Interest rates are fixed throughout the term of the instruments and range from 1.67% to 1.75% (2013: 1.67% to 2.0%). 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 (2013: Nil).

13. Post retirement medical benefit obligations

	2014 $	2013 $
Present value of obligation	628,901	541,670
The amount recognized in the income statement is made up of as follows:		
Interest costs	23,631	23,000
Service costs	49,124	49,000
	72,755	72,000

13. Post retirement medical benefit obligations (continued)

	2014 $	2013 $
The amount recognized in other comprehensive income is made up as follows:		
Actuarial gains and losses	14,475	34,000
	14,475	34,000

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

	2014 $	2013 $
Balance at beginning of year	541,670	435,670
Current service costs	49,124	49,000
Interest costs	23,631	23,000
Actuarial (gains)/losses arising from changes in financial assumptions	37,021	(33,000)
Actuarial losses arising from experience adjustments	(22,545)	67,000
Balance at end of year	628,901	541,670

The principal actuarial assumptions used were:	2014	2013
Discount rate	4.80%	4.00%
Future premium increases	3.00%	2.00%
Mortality	GAM 94	GAM 94

Expected contributions to be paid in the upcoming financial year are Nil (2014: Nil).

A quantitative sensitivity analysis for significant assumptions as at 31 December is shown below:

	Impact on the plan obligation Increase	Decrease
1% increase/decrease in future premium increases	209,914	(152,499)
1% increase/decrease in discount rate	(149,046)	208,020

14. Pension plan liabilities

	2014 $	2013 $
Fair value of plan assets	21,204,125	16,944,754
Less: Present value of obligation to plan members	(26,896,487)	(24,417,899)
Value of surplus/(obligation)	(5,692,362)	(7,473,145)
The amount recognized in the income statement is made up as follows:		
Net interest expense	254,389	296,470
Current service costs	1,286,078	1,553,637
	1,540,467	1,850,107
The remeasurement of pension plan obligations in other comprehensive income is made up as follows:		
Return on plan assets	2,014,268	(548,565)
Actuarial gains and losses arising during the period:		
From changes in demographic assumptions	(1,246,250)	–
From changes in financial assumptions	2,170,684	(1,189,010)
From expense adjustments	(1,688,036)	(730,959)
	1,250,666	(2,468,534)

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

	2014 $	2013 $
Balance at beginning of year	16,944,754	15,390,118
Interest income	762,973	772,792
Employer contributions	2,070,584	1,769,815
Employee contributions	35,857	–
Benefit payments	(624,090)	(439,406)
	19,190,078	17,493,319
Actuarial gain/(loss) arising from experience adjustments	2,014,047	(548,565)
Balance at end of year	21,204,125	16,944,754

14. Pension plan liabilities (continued)

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

	2014 $	2013 $
Balance at beginning of year	24,417,899	20,314,437
Current service costs	1,286,078	1,553,637
Interest costs	1,017,141	1,069,262
Contributions by plan participants	35,857	–
Benefit payments	(624,090)	(439,406)
Actuarial loss/(gain) arising from changes in:		
- demographic assumptions	1,246,250	–
- financial assumptions	(2,170,684)	1,189,010
- experience adjustment	1,688,036)	730,959
Balance at end of year	26,896,487	24,417,899

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

	2014	2013
Discount rate	4.80%	4.00%
Future salary increases	3.00%	2.00%
Post-retirement mortality	GAM 94/GAM 83	GAM 94/GAM 83
Pre-retirement mortality	GAM 94	GAM 94
Withdrawal from service	Yes	Yes
Future pension increases	3.5%	3.5%
Proportion of employees opting for early retirement	NIL	NIL
Life expectation of pensioners at the age of 65 - male	18.3	17.2 - 18.3
Life expectation of pensioners at the age of 65 - female	21.8	21.8

	2014 $	2014 %	2013 $	2013 %
Quoted investments				
Equity securities	8,605,151	41	7,502,478	44
Government securities	4,710,452	22	4,102,094	24
Corporate bonds	1,772,748	8	1,309,565	8
Property	867,011	4	725,839	4
Other	5,248,763	25	3,304,778	20
	21,204,125	100	16,944,754	100

The actual return on plan assets was $2,778,000 (2013: $224,000). The fair values of the assets have not materially changed due to the adoption of IFRS 13.

Expected contributions to pension plans for the year ending 31 December 2015 are $2,210,000 (2014: $1,910,000).

A quantitative sensitivity analysis for significant assumptions as at 31 December is shown below:

	Impact on the net defined benefit obligation Increase	Decrease
1% increase/decrease in discount rate	(5,598,886)	7,586,865
1% increase/decrease in future salary increase	3,365,761	(2,883,882)
1% increase/decrease in future pension increases	2,865,952	(2,397,944)
Life expectancy increase/decrease by 1 year - male	643,428	(657,489)
Life expectancy increase/decrease by 1 year - female	210,628	(216,558)

The weighted average duration of the defined benefit plan obligation as at 31 December 2014 is 15.2 years to 16.2 years (2013: 15.3 years to 19.6 years).

15. Payables and accruals

	2014 $	2013 $
Amounts due to related parties (Note 27)	1,163,409	2,227,099
Accrued expenses	5,349,430	9,465,841
Other payables	389,685	132,575
Amounts due to customers	–	1,808,869
	6,902,524	13,634,384

16. Asset administration fees

These relate to investment management fees charged to fellow subsidiaries	19,639,050	18,535,399

17. Management fees

Guardian Asset Management Mutual Funds	28,640,121	22,333,643
Praetorian Property Mutual Fund	1,518,351	1,608,936
Fellow subsidiaries	450,866	615,593
	30,609,338	24,558,172

18. Investment income

	2014 $	2013 $
Investments at fair value through profit or loss		
– interest and dividend income	5,367,128	6,056,082
Loans and advances – interest income	24,121	115,274
Cash and cash equivalents – interest income	7,908	6,721
	5,399,157	6,178,077

19. Interest expense

	2014 $	2013 $
Short term borrowings	259,485	99,324

20. Net foreign exchange (losses)/gains

	2014 $	2013 $
Realised foreign exchange lossess - investments	(167,955)	(23,909)
Realised foreign exchange (losses)/gains - other	(526,192)	221,246
Unrealised foreign exchange (losses)/gains - investments	(649,365)	152,604
Unrealised foreign exchange gains/(losses) - other	26,121	(8,385)
	(1,317,391)	341,556

21. Management and operating expenses

	2014 $	2013 $
Staff costs (Note 22)	19,161,654	22,409,856
Technical fees	5,092,496	3,417,930
Administrative and other expenses	5,036,045	6,491,130
Marketing costs	1,294,733	1,054,377
Other fees	843,608	970,557
Directors' fees	217,500	180,000
Depreciation	186,406	302,476
	31,832,442	34,826,326

22. Staff costs

	2014 $	2013 $
Salaries and benefits	16,935,793	19,964,613
Post retirement medical benefits (Note 13)	72,755	72,000
Pension costs (Note 14)	1,540,467	1,850,107
National Insurance	612,639	523,136
	19,161,654	22,409,856
Average number of employees during the year	67	65

23. Taxation

	2014 $	2013 $
Corporation tax	7,103,590	1,459,898
Business and green fund levies	180,245	184,846
Deferred tax (Note 7)	(272,074)	4,879,019
	7,011,761	6,523,763

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

	2014 $	2013 $
Profit before taxation	27,827,026	26,056,955
Tax calculated at 25%	6,956,757	6,514,239
Income not subject to tax	(133,790)	(122,861)
Expenses not deductible for tax	(112,326)	40,371
Business and green fund levies	180,245	60,921
Other	114,340	(38,073)
Short term borrowings	6,535	69,166
	7,011,761	6,523,763

24. Dividends

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

	2014 $	2013 $
Final 2013 - 89 cents (Final 2012 - 93 cents)	19,650,000	20,460,043

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.

	2014 $	2013 $
Fellow subsidiaries and managed funds (Note 25.1)	8,020,020,384	7,640,645,547
Mutual funds		
- Praetorian Property Mutual Fund	171,967,081	198,230,083
- Guardian Asset Management Mutual Funds (Note 25.2)	1,312,327,105	1,409,966,118
Individuals	580,330,623	504,142,962
Total assets under management	10,084,645,193	9,752,984,710

25. Assets under management (continued)

25.1 Affiliated Companies and Managed Funds

	2014 $	2013 $
Guardian General Insurance Limited	550,545,002	572,155,584
Guardian Life of the Caribbean Limited	6,731,490,395	6,314,645,011
Bancassurance Caribbean Limited	269,225,941	296,108,211
Fatum Life N. V.	59,577,645	56,697,620
Guardian Asset Management & Investment Services Limited	1,128,240	1,131,933
Caribbean Atlantic Life Insurance Company	19,980,521	19,711,882
Guardian Defined Benefit Pension Fund Plan	315,225,454	310,712,253
Harvester Growth Fund	16,015,808	16,055,729
Harvester Income Fund	56,831,378	53,427,324
	8,020,020,384	7,640,645,547

25.2 Guardian Asset Management Mutual Funds

	2014 $	2013 $
TT Monthly Income Fund	609,513,933	622,904,398
US Monthly Income Fund	552,389,168	629,623,043
Pan Caribbean Balanced Fund	21,561,067	21,752,758
North American Equity Fund	18,707,625	17,595,050
European Equity Fund	13,901,249	16,296,351
Asia Pacific Rim Equity Fund	12,146,152	14,789,282
Bric Equity Fund	23,942,835	29,201,084
Aggressive Fund	20,378,170	20,365,679
Moderate Fund	9,370,865	8,737,805
Conservative Fund	7,246,533	6,550,282
Global Bond Fund	8,845,929	8,597,478
New Economy Fund	8,832,972	7,854,197
Emerging Markets Bond Fund	5,493,607	5,698,711
	1,312,327,105	1,409,966,118

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:

	2014 $	2013 $
Debt securities	74,904,123	59,955,832
Mutual funds	8,979,815	8,981,447
Loans and advances	12,942,544	8,049,296
Cash and cash equivalents	38,682,950	61,734,578
Other assets	5,294,169	5,900,494
	140,803,601	144,621,647

26. Financial risk management (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

Year ended 31 December 2014	Neither past due nor impaired $	Past due but not impaired $	Impaired $	Total $
Debt securities	74,439,706	–	464,417	74,904,123
Mutual funds	8,979,815	–	–	8,979,815
Loans and advances	12,657,631	–	284,913	12,942,544
Cash and cash equivalents	38,682,950	–	–	38,682,950
Other assets	5,294,169	–	–	5,294,169
	140,054,271	–	749,330	140,803,601

Year ended 31 December 2013	Neither past due nor impaired $	Past due but not impaired $	Impaired $	Total $
Debt securities	59,314,323	–	641,509	59,955,832
Mutual funds	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

(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.

Below BBB
Obligations rated 'Below BBB' 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 $	Below BBB $	Not rated $	Total $
Year ended 31 December 2014					
Debt securities	20,290,492	42,107,246	12,041,968	–	74,439,706
Mutual funds	–	5,241,863	–	3,737,952	8,979,815
Loans and advances	–	–	–	12,657,631	12,657,631
Cash and cash equivalents	747,716	34,855,571	3,079,663	–	38,682,950
Other assets	–	–	3,497,291	1,796,878	5,294,169
	21,038,208	82,204,680	18,618,922	18,192,461	140,054,271

	A $	BBB $	Below BBB $	Not rated $	Total $
Year ended 31 December 2013					
Debt securities	20,716,377	31,011,788	7,586,158	–	59,314,323
Mutual funds	–	5,014,376	248,105	3,718,965	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	16,629,812	14,023,712	143,695,225

(ii) Financial assets that are impaired

	Carrying value 2014 $	Carrying value 2013 $	Fair value of collateral held 2014 $	Fair value of collateral held 2013 $
Financial assets at fair value through profit or loss	464,417	641,509	464,417	641,509
Other loans and receivables	284,913	284,913	284,913	614,935

Unrealised losses recognised in the income statement for impaired investment securities are $177,092 (2013: Nil).

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:

At 31 December 2014	Financial institutions $	Public sector $	Other industries $	Individuals $	Total $
Debt securities	19,411,075	30,078,669	25,414,379	–	74,904,123
Mutual funds	8,979,815	–	–	–	8,979,815
Other loans and receivables	–	–	36,431	12,906,113	12,942,544
Cash and cash equivalents	38,682,950	–	–	–	38,682,950
Other assets	4,248,836	–	953,868	91,465	5,294,169
	71,322,676	30,078,669	26,404,678	12,997,578	140,803,601

At 31 December 2013	Financial institutions $	Public sector $	Other industries $	Individuals $	Total $
Debt securities	22,157,829	27,118,406	10,679,597	–	59,955,832
Mutual funds	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

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.

a) Currency risk (continued)

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 2014			
Assets			
Cash and cash equivalents	2,882,802	32,800,148	38,682,950
Investment securities	28,226,058	57,084,231	85,310,289
Loans and advances	12,906,113	36,431	12,942,544
Other assets	5,201,272	92,897	5,294,169
Total assets	52,216,245	90,013,707	142,229,952
Liabilities			
Short term borrowings	7,316,720	2,068,039	9,384,759
Other liabilities	1,553,094	–	1,553,094
Total liabilities	8,869,814	2,068,039	10,937,853
Net statement of financial position	43,346,431	87,945,668	

	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	

iv) Sensitivity analysis

As at 31 December 2014, if the Trinidad and Tobago dollar had weakened/strengthened by 1.4% (2013: 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$1,231,239 (2013: TT$364,763) 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 2014				
Assets				
Cash and cash equivalents	38,682,950	–	–	38,682,950
Investment securities	10,179,778	45,281,974	28,422,186	83,883,938
Loans and advances	8,403,095	4,539,449	–	12,942,544
Other assets	5,294,169	–	–	5,294,169
Total assets	62,559,992	49,821,423	28,422,186	140,803,601
Liabilities				
Short-term borrowings	9,384,759	–	–	9,384,759
Other liabilities	1,553,094	–	–	1,553,094
Total liabilities	10,937,853	–	–	10,937,853
Interest sensitivity gap	51,622,139	49,821,423	28,422,186	

b) Interest rate risk (continued)

	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	

iv) Sensitivity analysis

As at 31 December 2014, 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 $4,814,115 (2013: $3,625,441) 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.

	Carrying amount $	Up to one year $	One to five years $	Over five years $	Total $
As at 31 December 2014					
Liabilities					
Short term borrowings	9,384,759	9,430,553	–	–	9,430,553
Other liabilities	1,553,094	1,553,094	–	–	1,553,094
Total liabilities (contractual undiscounted cash flows)	10,937,853	10,983,647	–	–	10,983,647
Total assets (maturity profile of assets)		62,559,992	49,821,423	28,422,186	140,803,601

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

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 2014.

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.

Classification - Fair values of financial instruments (continued)

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 2014				
Government bonds	16,527,406	20,098,974	–	36,626,480
Corporate bonds	10,074,439	26,712,438	464,417	37,251,294
Mutual funds	6,234,303	2,735,005	–	8,969,308
Equities	–	1,063,916	362,435	1,426,351
Accrued interest	554,247	482,608	–	1,036,855
	33,390,495	51,092,941	826,852	85,310,289

	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
	23,051,389	46,305,605	1,027,819	70,384,813

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 $130,472 (2013: $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 $Nil (2013: $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 6.69%	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.

Classification - Fair values of financial instruments

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

	At 1 January 2014 $	Total gain/(loss) in income statement $	Sales/ maturities $	At 31 December 2014 $	Total gain/(loss) included in income statement for assets held as at 31 December 2014 $
Financial assets at fair value through profit or loss					
Corporate bonds	641,509	(177,092)	–	464,417	(177,092)
Promissory notes	–	–	–	–	–
Equities	386,310	(23,875)	–	362,435	(23,875)
Accrued interest	–	–	–	–	–
	1,027,819	(200,967)	–	826,852	(200,967)

	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 $
Financial assets at fair value through profit or loss					
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)

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 2014			
Total gains or losses included in the income statement for the period	–	(200,967)	(200,967)
Year ended 31 December 2013			
Total gains or losses included in the income statement for the period	–	(92,950)	(92,950)

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:

	2014 $	2013 $
i) Income		
Parent company		
- Arrangement fees	110,830	496,059
- Interest income	634,189	34,129
Fellow subsidiaries		
- Asset administration fees	19,639,050	18,535,399
- Management fees	30,609,338	24,558,172
- Interest income	34,069	640,880
- Realised gains	306,563	2,960,030
	51,334,039	47,224,669
ii) Expenses		
Fellow subsidiaries		
- Rental charges	1,066,708	1,160,730
- Management fees	5,092,496	3,417,930
- Lease rentals	895,334	878,125
- Marketing costs	1,210,100	935,717
	8,264,638	6,392,502
iii) Key management compensation		
Salaries and other short-term benefits	6,207,463	6,422,341
Share based payments	(452,623)	2,812,191
Post employment benefits	651,872	651,872
	6,406,712	9,886,404

27. Related party transactions (continued)

	2014 $	2013 $
iv) Investments at fair value through profit or loss		
- Parent company	871,291	496,553
- Fellow subsidiaries	16,429,055	16,002,416
	17,300,346	16,498,969
v) Year-end balances (Note 8)		
Due from affiliated companies		
- Fellow subsidiaries	3,497,291	3,760,337
Due to parent and affiliated companies (Note 15)		
- Parent company	109,389	46,202
- Fellow subsidiaries	1,054,020	2,180,897
	1,163,409	2,227,099

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:

	2014 $	2013 $
Not later than one year	165,600	165,600
Later than one year and no later than five years	55,200	220,800
	220,800	386,400

Rental expense under these leases amount to $165,600 for the year ended 31 December 2014 (2013: $165,600).