Financial Statements of

**THE INSURANCE COMPANY OF THE WEST INDIES (SINT MAARTEN) B.V.**

December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of
THE INSURANCE COMPANY OF THE WEST INDIES
(SINT MAARTEN) B.V.

## Report on the Audit of the Financial Statements

*Opinion*

We have audited the financial statements of The Insurance Company of the West Indies Limited (Sint Maarten) B.V. ("the company"), set out on pages 4 to 47, which comprise the statement of financial position as at December 31, 2019, the statements of profit or loss and other comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

*Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholder of
THE INSURANCE COMPANY OF THE WEST INDIES
(SINT MAARTEN) B.V.

**Report on the Audit of the Financial Statements (continued)**

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

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

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

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

*Auditors' Responsibilities for the Audit of the Financial Statements*

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholder of
THE INSURANCE COMPANY OF THE WEST INDIES
(SINT MAARTEN) B.V.

**Report on the Audit of the Financial Statements (continued)**

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG

Chartered Accountants
Kingston, Jamaica

June 29, 2020

THE INSURANCE COMPANY OF THE WEST INDIES
(SINT MAARTEN) B.V.

Statement of Financial Position
December 31, 2019
*(Stated in Netherlands Antilles Guilders)*

| | Notes | 2019 | 2018 |
|---|---|---|---|
| ASSETS | | | |
| Property, plant and equipment | 7 | 90,816 | 52,387 |
| Right-of-use asset | 8(a) | 189,734 | - |
| Due from fellow subsidiary | 9 | 3,020 | - |
| Reinsurance assets | 10 | 1,090,047 | 926,062 |
| Insurance receivable | 11 | 759,912 | 184,334 |
| Deferred commission expense | 12 | 88,545 | 61,376 |
| Other accounts receivable | 13 | 28,786 | 53,475 |
| Accrued interest income | | 91 | 475 |
| Cash and cash equivalents | 14 | 1,508,677 | 1,966,083 |
| Total assets | | 3,759,628 | 3,244,192 |
| LIABILITIES AND SHAREHOLDER'S EQUITY | | | |
| Other payables and accrued charges | 15 | 307,334 | 187,791 |
| Insurance payables | 16 | 506,047 | 841,027 |
| Insurance contract provisions | 10 | 1,817,966 | 1,471,257 |
| Due to fellow subsidiary | 9 | - | 30,171 |
| Lease liability | 8(b) | 196,740 | - |
| | | 2,828,087 | 2,530,246 |
| Share capital | 17(a) | 900,000 | 900,000 |
| Contributed capital | 17(b) | 450,000 | 450,000 |
| Accumulated deficit | | ( 418,459) | ( 636,054) |
| | | 931,541 | 713,946 |
| Total liabilities and equity | | 3,759,628 | 3,244,192 |

The financial statements on pages 4 to 47 were approved by the Board of Directors on June 29, 2020 and signed on its behalf by:

____________________ Director
Hon. Dennis H. Lalor

____________________ Director
Paul Lalor

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

THE INSURANCE COMPANY OF THE WEST INDIES
(SINT MAARTEN) B.V.

Statement of Profit or Loss and Other Comprehensive Income
For the year ended December 31, 2019
*(Stated in Netherlands Antilles Guilders)*

| | Notes | 2019 | 2018 |
|---|---|---|---|
| Gross premiums written | 10 | 3,986,502 | 3,090,414 |
| Change in gross provision for unearned premiums | | ( 294,892) | ( 421,936) |
| Gross insurance premium revenue | 10 | 3,691,610 | 2,668,478 |
| Written premiums ceded to reinsurers | 10 | (2,486,229) | (2,178,904) |
| Reinsurers' share of change in provision for unearned premiums | | 143,369 | 311,650 |
| Net insurance premium revenue | 10 | 1,348,750 | 801,224 |
| Claims expenses incurred | 10 | (1,104,352) | (1,434,231) |
| Reinsurers' share of claims | 10 | 593,220 | 770,769 |
| Net insurance claims | 10 | ( 511,132) | ( 663,462) |
| Commission income | 16 | 642,449 | 557,734 |
| Commission expense | 12 | ( 229,875) | ( 157,871) |
| Net commission expense | | 412,574 | 399,863 |
| | | 1,250,192 | 537,625 |
| Operating expenses | 18 | (1,021,971) | ( 856,378) |
| Underwriting profit/(loss) before interest, other income and expenses | | 228,221 | ( 318,753) |
| Lease expense on lease liability | 8(c ) | ( 18,973) | - |
| Interest income | | 1,444 | 360 |
| Foreign exchange loss | | ( 2,778) | ( 5,908) |
| Other income | | 9,681 | 16,152 |
| Profit/(loss) for the year, being total comprehensive profit/(loss) for the year | | 217,595 | ( 308,149) |

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

THE INSURANCE COMPANY OF THE WEST INDIES
(SINT MAARTEN) B.V.

Statement of Changes in Shareholders' Equity
For the year ended December 31, 2019
*(Stated in Netherlands Antilles Guilders)*

| | Share capital [Note 17(a)] | Contributed capital [Note 17(b)] | Accumulated deficit | Total |
|---|---|---|---|---|
| Balances at December 31, 2017 | 900,000 | 450,000 | (327,905) | 1,022,095 |
| Loss for the year, being total comprehensive loss | - | - | (308,149) | ( 308,149) |
| Balances at December 31, 2018 | 900,000 | 450,000 | (636,054) | 713,946 |
| Profit for the year, being total comprehensive profit | - | - | 217,595 | 217,595 |
| Balances at December 31, 2019 | 900,000 | 450,000 | (418,459) | 931,541 |

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

THE INSURANCE COMPANY OF THE WEST INDIES
(SINT MAARTEN) B.V.

Statement of Cash Flows
For the year ended December 31, 2019
*(Stated in Netherlands Antilles Guilders)*

| | Notes | 2019 | 2018 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit/(loss) for the year | | 217,595 | ( 308,149) |
| Adjustments for: | | | |
| Depreciation on property, plant and equipment | 7 | 21,093 | 18,256 |
| Depreciation on right-of-use asset | 8(a) | 47,433 | - |
| Loss on disposal | | - | 7,051 |
| Reinsurance assets | | ( 163,985) | 4,779,474 |
| Insurance contract provisions | | 346,709 | (4,612,011) |
| Interest expense on lease liability | 8(c) | 18,973 | - |
| Interest income | | ( 1,444) | ( 360) |
| | | 486,374 | ( 115,739) |
| Changes in: | | | |
| Insurance receivable | | ( 575,578) | ( 82,183) |
| Deferred commission expense | | ( 27,169) | ( 38,071) |
| Other accounts receivable | | 24,689 | ( 36,076) |
| Other payable and accrued charges | | 119,543 | 47,322 |
| Insurance payables | | ( 334,980) | (6,535,936) |
| | | ( 307,121) | (6,760,683) |
| Interest received | | 1,828 | 364 |
| Net cash used by operating activities | | ( 305,293) | (6,760,319) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Additions to property, plant and equipment, being net cash used by investing activities | 7 | ( 59,522) | ( 7,180) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Payment of lease liability | 8(d) | ( 59,400) | - |
| Due from/(to) fellow subsidiary | | ( 33,191) | 2,844,530 |
| Net cash (used)/provided by financing activities | | ( 92,591) | 2,844,530 |
| DECREASE IN CASH AND CASH EQUIVALENTS | | ( 457,406) | (3,922,969) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | 1,966,083 | 5,889,052 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | 1,508,677 | 1,966,083 |

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

1. Corporate structure and nature of business

The Insurance Company of the West Indies Limited (Sint Maarten) B.V. ("ICWI BV") (the company), is incorporated and domiciled in Sint Maarten. ICWI BV is a wholly owned subsidiary of ICWI (Cayman) Limited, which is incorporated in the Cayman Islands. Its ultimate holding company is Atlantic and Caribbean Sea Development Company Limited which is owned by Caribbean Sea Development Limited and Hon. Dennis Lalor O.J. and it is controlled by Hon. Dennis Lalor O.J.

The principal activity of the company is underwriting general insurance business. The registered office of the company is located at 133 Union Road, Unit E, Cole Bay, Sint Maarten.

On April 11, 2017, The Insurance Company of the West Indies Limited (ICWI) notified the Financial Services Commission in Jamaica of the planned conversion of the Sint Maarten branch of ICWI into a stand-alone operation. On June 8, 2017, ICWI BV received a license from Centrale Bank Van Curacao En Sint Maarten to conduct non-life insurance business in Curacao and Sint Maarten. Effective July 1, 2017, ICWI converted its Sint Maarten branch to a stand-alone operation in the name of The Insurance Company of the West Indies (Sint Maarten) B.V. ("ICWI BV"). Consequent on this transaction, ICWI BV became a wholly owned subsidiary of ICWI (Cayman) Limited. The insurance portfolio and assets and liabilities of the Sint Maarten branch of ICWI were transferred to ICWI BV with effect from July 1, 2017.

2. Insurance licence

The company holds a licence to underwrite non-life insurance business in Sint Maarten.

3. Roles of the actuary and auditors

The actuary has been appointed by the Board of Directors of the company. With respect to the preparation of financial statements, the actuary is required to carry out an actuarial valuation of management's estimate of the company's policy liabilities and report thereon to the shareholders. Actuarially determined policy liabilities consist of the provisions for, and reinsurance recovery of, unpaid claims and adjustment expenses on insurance policies in force, including provisions for salvage and subrogation, and future obligations on the unearned portion of insurance policies in force, including deferred policy acquisition costs. The valuation is made in accordance with accepted actuarial practice, as well as any other matter specified in any directive that may be made by regulatory authorities.

The actuary, in his verification of the management information provided by the company and used in the actual valuation, also makes use of the work of the external auditors. The actuary's report outlines the scope of his work and opinion.

3. Roles of the actuary and auditors (continued)

The external auditors have been appointed by the Board of Directors of the company to conduct an independent and objective audit of the financial statements of the company in accordance with International Standards on Auditing and report thereon to the company. In carrying out their audit, the auditors also make use of the work of the actuary and his report on the company's actuarially determined policy liabilities. The auditors' report outlines the scope of their audit and their opinion.

4. Statement of compliance and basis of preparation

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations, adopted by the International Accounting Standards Board (IASB).

**New and amended standards that came into effect during the current financial year:**

Certain new and amended standards that were in issue came into effect during the current financial year. This is the first set of the company's annual financial statements in which IFRS 16, *Leases* has been applied from January 1, 2019. A number of other new standards and interpretations are also effective January 1, 2019 but they do not have a material effect on the company's financial statements. Changes to significant accounting policies are described in note 5.

**New and amended standards and interpretations not yet effective:**

At the date of approval of the financial statements, there were certain new and amended standards and interpretations to existing standards, which were in issue, but were not yet effective and had not been early adopted by the company. Those which management considered may be relevant to the company are as follows:

- IFRS 17 – *Insurance Contracts*, effective for annual reporting periods beginning on or after January 1, 2021 (although the IASB proposed to defer the effective date until January 1, 2023), replaces IFRS 4 *Insurance Contracts* and provides three models to apply to all insurance contracts: the general model, the variable fee approach and the premium allocation approach.

  The key principles in IFRS 17 are that an entity:

  - Identifies insurance contracts as those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

4. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued):

**New and amended standards and interpretations not yet effective (continued):**

- IFRS 17 (continued)

  The key principles in IFRS 17 are that an entity (continued):

  - Separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts.
  - Recognises and measures groups of insurance contracts at:
    a) a risk - adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset); and
    b) an amount representing the unearned profit in the group of contracts (the contractual service margin)
  - Recognises the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group contract is or becomes loss-making, an entity recognizes the loss immediately.
  - Presents separately insurance revenue (that excludes the receipt of repayment of any investment components) and insurance finance income or expenses;
  - Includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts where the coverage period is less than a year or where there are no significant expected changes in estimates before the claims are incurred.

  Many of the disclosures of IFRS 4 are kept in IFRS 17. The general model requires disclosure and reconciliation of the expected present value of future cash flows, risk adjustment and contractual service margin. No reconciliation is required under the variable fee approach.

- Amendment to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* is effective for annual periods beginning on or after January 1, 2020, and provides the following definition of 'material' to guide preparers of financial statements in making judgements about information to be included in financial statements.

  "*Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity*."

4. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued):

- Amendments to *References to Conceptual Framework in IFRS Standards* is effective retrospectively for annual reporting periods beginning on or after January 1, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.

  The main change relates to how and when assets and liabilities are recognised and de-recognised in the financial statements.

  – New 'bundle of rights' approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself;

  – A liability will be recognised if a company has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.

  – A new control-based approach to de-recognition will allow an entity to derecognise an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

- IFRS 9 Financial Instruments - As an insurance company, the company has exercised the option to defer the effective date of the new standard to January 1, 2022, in line with IFRS 17 *Insurance Contracts* [See note 6(j)(iv)]. The standard includes requirements for recognition and measurement, impairment, derecognition of financial instruments and general hedge accounting.

- Amendments to IFRS 9 *Financial Instruments*, effective retrospectively for annual reporting periods beginning on or after January 1, 2019 clarifies the treatment of:

  (i) Prepayment features with negative compensation:

  Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

  (ii) Modifications to financial liabilities:

  If the initial application of IFRS 9 results in a change in accounting policy arising from modified or exchanged fixed rate financial liabilities, retrospective application is required, subject to particular transitional reliefs. There is no change to the accounting for costs and fees when a liability has been modified, but not substantially. These are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

4. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued):

- Amendments to IFRS 9 (continued)

  As disclosed in note 6(j)(iv), the company has exercised the option to defer the effective date of the adoption of IFRS 9 to January 1, 2023.

The company is assessing the impact that these new and amended standards, and interpretations will have on its financial statements when they become effective

(b) Basis of preparation and measurement:

The financial statements are prepared using the historical cost basis.

(c) Going concern:

The preparation of the financial statements in accordance with IFRS assumes that the company will continue in operational existence for the foreseeable future. This means, inter alia, that the statements of financial position and profit or loss and other comprehensive income assume no intention or necessity to liquidate the company or curtail the scale of its operations. This is commonly referred to as the going concern basis. Management is of the view that the going concern basis is appropriate in the preparation of the financial statements.

(d) Functional and presentation currency

These financial statements are presented in Netherlands Antilles Guilders, the company's functional currency.

(e) Use of estimates and judgments:

The preparation of the financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and contingent liabilities at the reporting date, and the income and expense for the year then ended. Actual amounts could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. Statement of compliance and basis of preparation (continued)

(e) Use of estimates and judgments (continued):

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(i) Allowance for impairment losses on receivables:

In determining amounts recorded for impairment losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, based on default and adverse economic conditions. Management makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows.

(ii) Outstanding claims [see note 6(j)(i)].

5. Change in significant accounting policy

The company has initially applied IFRS 16 *Leases* from January 1, 2019. Except for the changes below, the company has consistently applied the accounting policies as set out in note 6 to all periods presented in these financial statements.

The company applied IFRS 16 using the modified retrospective approach, under which the right-of-use asset is equivalent to the lease liability, thereby no adjustment was recognised in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

(a) *Definition of a lease*

Previously, the company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*, issued by IFRS Interpretations Committee (IFRIC). The company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 6 (k).

On transition to IFRS 16, the company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

5. Change in significant accounting policy (continued)

(b) *As a lessee*

As a lessee, the company leases a property from which its office operates. The company previously classified leases as operating based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the company. Under IFRS 16, the company recognises right-of-use asset and lease liability for its lease – i.e. this lease is on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for lease of property, the company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

*Leases classified as operating leases under IAS 17*

Previously, the company classified property lease as operating lease under IAS 17. On transition, for this lease, lease liability was measured at the present value of the remaining lease payments, discounted at the company's incremental borrowing rate as at January 1, 2019 (see note 8). The company opted for the measurement of the right-of-use asset equivalent to the lease liability at transition date as permitted by IFRS 16 transition options.

The company has tested its right-of-use asset for impairment on the date of transition and has concluded that there is no indication that the right-of-use asset is impaired.

The company used a number of practical expedients when applying IFRS 16 to lease previously classified as operating lease under IAS 17. In particular, the company:

- did not recognise right-of-use asset and liability for lease for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use asset and liability for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

THE INSURANCE COMPANY OF THE WEST INDIES
(SINT MAARTEN) B.V.

Notes to the Financial Statements (Continued)
For the year ended December 31, 2019
*(Stated in Netherlands Antilles Guilders)*

5. Change in significant accounting policy (continued)

IFRS 16 *Leases* (cont'd)

(c) *Impact on transition*

On transition to IFRS 16, the company recognised additional right-of-use asset and additional lease liability, at the same amount, thereby, no adjustment was made to the retained earnings at transition. The impact on transition is summarised below.

| | January 1, 2019<br>$'000 |
|---|---|
| Right-of-use asset | 237,167 |
| Lease liability | (237,167) |
| Retained earnings | - |

For the impact of IFRS 16 on profit or loss for the year, see note 8. For the details of accounting policies under IFRS 16 and IAS 17, see note 6(k).

When measuring lease liability for leases that were classified as operating lease, the company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average rate applied is 7.99%.

| | January 1, 2019<br>$'000 |
|---|---|
| Operating lease commitments at December 31, 2018 as disclosed under IAS 17 in the company's financial statements | - |
| Discounted using the incremental borrowing rate at January 1, 2019 | - |
| Extension options reasonably certain to be exercised | 237,167 |
| Lease liabilities recognised at January 1, 2019 | 237,167 |

6. Significant accounting policies

(a) Property, plant and equipment:

(i) Property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses [see accounting policy 6(h)].

6. Significant accounting policies (continued)

(a) Property, plant and equipment (continued):

(ii) Depreciation:

Property, plant and equipment are depreciated using the straight-line method at annual rates estimated to write-off the property, plant and equipment over their expected useful lives.

The annual depreciation rates are as follows:

| | |
|---|---|
| Leasehold improvements | 10% |
| Furniture, fixtures and equipment | 10% & 20% |
| Motor vehicle | 20% |

The depreciation methods, useful lives and residual values are reassessed annually at each reporting date and adjusted as appropriate.

(b) Related parties:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

6. Significant accounting policies (continued)

(b) Related parties (continued):

(b) An entity is related to a reporting entity if any of the following conditions applies (continued):

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity or any member of a group which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(c) Insurance and other accounts receivable:

Insurance and other accounts receivables are measured at cost less impairment losses [see accounting policy 6(h)].

(d) Cash and cash equivalents:

Cash and cash equivalents comprise cash, bank balances and short-term deposits with maturity of three months or less from the date of placement and are measured at amortised cost.

(e) Insurance and other payables:

Insurance and other payables, are measured at amortised cost.

(f) Provisions:

A provision is recognised in the statement of financial position when the company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligations.

6. Significant accounting policies (continued)

(g) Foreign currencies:

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the rates of exchange ruling on that date. Gains and losses arising from fluctuations in exchange rates are recognised in profit or loss.

For the purpose of the statement of cash flows, all foreign currency gains and losses recognised in profit or loss are treated as cash items and included in cash flows from operating or financing activities along with movements in the principal balances.

(h) Impairment:

Objective evidence that financial assets are impaired can include default or delinquency by a customer, indications that a customer will enter bankruptcy and changes in the payment status of customers.

The carrying amount of the company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at the reporting date. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less impairment loss on that financial asset previously recognised in profit or loss.

(i) Calculation of recoverable amount:

The recoverable amount of the company's loans and receivables is calculated as the present value of the expected future cash flows, discounted at the original effective interest rate inherent in the assets. Receivables with a short duration are not discounted.

6. Significant accounting policies (continued)

(h) Impairment (continued):

(i) Calculation of recoverable amount (continued):

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

(ii) Reversal of impairment:

An impairment loss in respect of loans and receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there is an indication that the impairment loss no longer exists and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

(i) Revenue recognition:

Revenue is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the policyholder. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

(i) Gross written premiums:

The accounting policies for the recognition of revenue from insurance contracts are disclosed in note 6[j][i].

6. Significant accounting policies (continued)

(i) Revenue recognition (continued):

Revenue comprises the following:

(ii) Commission income:

Reinsurance commission is recognised on a basis that is consistent with the recognition of the costs incurred on the acquisition of the underlying insurance contracts (see note 6[j][i]). Profit commission in respect of reinsurance contracts is recognised on an accrual basis.

(iii) Interest income:

Interest income is recognised on an accrual basis using the effective interest rate method.

(j) Insurance contract recognition and measurement:

(i) Insurance contracts

Insurance contracts are accounted for in compliance with the recommendations and practices of the insurance industry. The underwriting results are determined after making provision for, inter alia, unearned premiums, outstanding claims, unexpired risks, deferred commission expense and deferred commission income.

*Gross written premiums*

Gross premiums reflect business written during the period, and include adjustments to premiums written in previous period. The earned portion of premiums is recognized as revenue. Premiums are earned from the effective date of the policy.

*Unearned premiums*

Unearned premiums represent that proportion of the premiums written up to the accounting date which is attributable to subsequent periods and is calculated on the “three sixty fifth” basis on the total premiums written.

6. Significant accounting policies (continued)

(j) Insurance contract recognition and measurement (continued):

(i) Insurance contracts (continued)

*Outstanding claims*

Outstanding claims comprise estimates of the amount of reported losses and loss expenses plus a provision for losses incurred but not reported based on the historical experience of the company. The loss and loss expense reserves have been reviewed by the company's actuary using the past loss experience of the company and industry data. Amounts recoverable in respect of claims from reinsurers are estimated in a manner consistent with the underlying liabilities.

Management believes, based on the analysis completed by their actuary, that the provision for outstanding losses and loss expenses will be adequate to cover the ultimate net cost of losses incurred up to the reporting date. However, the provision is necessarily an estimate and may ultimately be settled for a significantly greater or lesser amount. Any subsequent differences arising are recorded in the period in which they are determined.

*Liability adequacy test*

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. Tests include reviewing original estimates of ultimate claims cost for each accident year against the current year-end estimates. Any deficiency is immediately charged to profit or loss by establishing a provision for losses arising from liability adequacy tests.

*Deferred acquisition cost and deferred commission income*

Commission income and expense are deferred on a basis consistent with that used for deferring premium income.

(ii) Reinsurance assets:

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with reinsured policies. Unearned reinsurance premiums on business ceded up to the accounting date which are attributable to subsequent periods are calculated substantially on the "three sixty fifth" basis on the total premiums ceded.

6. Significant accounting policies (continued)

(j) Insurance contract recognition and measurement (continued):

(ii) Reinsurance assets (continued):

In the normal course of business the company seeks to reduce the loss that may result from a catastrophe or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers (see note 19). Reinsurance ceded does not discharge the company's liability as the principal insurer. Failure of reinsurers to honour their obligations could result in losses to the company. Consequently, a contingent liability exists in the event that an assuming reinsurer is unable to meet its obligations.

Reinsurance assets are assessed for impairment at each reporting date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the company may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the company will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in profit and loss.

(iii) Insurance receivable and insurance payable:

Amounts due from and to policyholders, brokers, agents and reinsurers are financial instruments and are included in insurance receivables and payables and not in insurance contract provisions or reinsurance assets.

(iv) Temporary exemption to defer the implementation of IFRS 9 *Financial Instruments:*

The company has applied the temporary exemption to defer the implementation of IFRS 9 *Financial Instruments*, as its activities met the requirements to demonstrate that they are predominantly in connection with issuing insurance contracts within the scope of IFRS 17 *Insurance contracts*.

The company evaluated its liabilities at December 31, 2017, first period of operation of the company, the prescribed date of assessment under the temporary exemption provisions and concluded that all of the liabilities were predominantly connected with insurance. Fifty-eight percent (58%) of the company's liabilities at December 31, 2017 were liabilities that arose from contracts within the scope of IFRS 17 and Thirty-three percent (33%) of the company's liabilities at December 31, 2017 were liabilities that arose because the company issues insurance contracts and fulfils obligations arising from insurance contracts. Additionally, the company has not previously applied any version of IFRS 9. Therefore, the company is an eligible insurer that qualifies for optional relief from the application of IFRS 9.

As at December 31, 2019, there has been no change in the company's activities.

6. Significant accounting policies (continued)

(k) Leases:

The company has applied IFRS 16 using the modified retrospective approach and therefore, the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in note 5.

*Policy applicable from January 1, 2019*

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after January 1, 2019.

*As a lessee*

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the company by the end of the lease term.

In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

6. Significant accounting policies (continued)

(k) Leases (continued):

*As a lessee (continued)*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

The company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company presents right-of-use assets and lease liabilities separately in the statement of financial position.

*Short-term leases and leases of low-value assets*

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and low-value assets. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

6. Significant accounting policies (continued)

(k) Leases (continued):

*As a lessee (continued)*

*Policy applicable before January 1, 2019*

Payments made under operating leases are included in profit or loss under operating expenses. Assets leased under operating leases are not included in the statement of financial position.

Assets held under other leases were classified as operating leases and were not recognised in the company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(l) Taxation:

Taxation on profit or loss for the period comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(m) Employee benefits:

Employee benefits are all forms of consideration given by the company in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, statutory contributions, annual vacation leave. Employee benefits that are earned as a result of past or current service are recognised in the following manner:

6. Significant accounting policies (continued)

(m) Employee benefits (continued):

Short-term employee benefits:

Short-term employee benefits are expensed as the related service is provided. Employee entitlements to leave are recognised when they accrue to employees. A provision is made for the estimated liability for vacation leave, as a result of services rendered by employees up to the reporting date. The company recognises a provision for bonuses and other short-term employee benefits based on contractual or constructive obligations to pay these amounts as a result of past services provided by the employee and the obligation can be estimated reliably.

(n) Financial instruments:

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets have been determined to include cash and cash equivalents, insurance receivables, other accounts receivables (excluding prepayments), due from fellow subsidiary and amounts due from other insurance companies. Financial liabilities includes other payables, and accrued charges, amounts due to other insurance companies, due to fellow subsidiary and lease liability.

(o) Determination of fair value:

Fair value amounts represent estimates of the arm’s length consideration that would be currently agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Some financial instruments lack an available trading market. These instruments have been valued using present value or other valuation techniques and the fair value shown may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

(p) Comparative information:

Wherever necessary, the comparative figures are reclassified to conform to current year's presentation.

(q) Share capital:

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets. Transaction costs directly attributable to the issuance of shares are shown in equity as a deduction from the proceeds of the share issue

(r) Expenses:

Expenses are recognised in profit or loss on the accrual basis.

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## 7. Property, plant and equipment

| | Leasehold improvement | Furniture, fixtures and equipment | Motor vehicle | Total |
|---|---|---|---|---|
| At cost: | | | | |
| December 31, 2017 | 40,527 | 46,781 | 46,782 | 134,090 |
| Additions | - | 7,180 | - | 7,180 |
| Disposal | - | ( 8,136) | - | ( 8,136) |
| December 31, 2018 | 40,527 | 45,825 | 46,782 | 133,134 |
| Additions | 56,707 | 2,815 | - | 59,522 |
| December 31, 2019 | 97,234 | 48,640 | 46,782 | 192,656 |
| Depreciation: | | | | |
| December 31, 2017 | 23,455 | 29,205 | 10,916 | 63,576 |
| Charge for year | 4,053 | 4,847 | 9,356 | 18,256 |
| Eliminated on disposals | - | ( 1,085) | - | ( 1,085) |
| December 31, 2018 | 27,508 | 32,967 | 20,272 | 80,747 |
| Charge for year | 8,306 | 3,431 | 9,356 | 21,093 |
| December 31, 2019 | 35,814 | 36,398 | 29,628 | 101,840 |
| Net book values: | | | | |
| December 31, 2019 | 61,420 | 12,242 | 17,154 | 90,816 |
| December 31, 2018 | 13,019 | 12,858 | 26,510 | 52,387 |

## 8. Lease

The company leases a property for its office operations. The term of the lease run for a period of five (5) years. Previously, this lease was classified as an operating leases under IAS 17.

Information about the lease for which the company is a lessee is presented below.

(a) Right-of-use asset

| | Property |
|---|---|
| Balance at January 1, 2019 | 237,167 |
| Depreciation charge for the year | ( 47,433) |
| Balance at December 31, 2019 | 189,734 |

8. Lease (continued)

Information about the lease for which the company is a lessee is presented below (continued)

(b) Lease liability

Maturity analysis – contractual undiscounted cash flows:

| | 2019 |
|---|---|
| Less than one year | 59,400 |
| One to five years | 178,200 |
| Total undiscounted lease liability at December 31, 2019 | 237,600 |
| Less: future interest expense | ( 40,860) |
| | 196,740 |
| Current | 43,676 |
| Non-current | 153,064 |
| Lease liability included in the statement of financial position at December 31, 2019 | 196,740 |

(c) Amount recognised in profit or loss

| | 2019 |
|---|---|
| Interest on lease liabilities | 18,973 |

(d) Amounts recognised in the statement of cash flows

| | 2019 |
|---|---|
| Total cash outflow for leases | 59,400 |

9. Related party balances/transactions

(a) The statement of financial position includes balances, arising in the ordinary course of business with a related party, as follows:

| | 2019 | 2018 |
|---|---|---|
| Due from fellow subsidiary: | | |
| The Insurance Company of the West Indies Limited | 3,020 | - |
| Due to fellow subsidiary: | | |
| The Insurance Company of the West Indies Limited | - | 30,171 |

Related party balances are interest free, unsecured and are repayable on demand.

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9. Related party balances/transactions (continued)

(b) The statement of profit or loss includes the following income earned from, and expenses incurred in, transactions with related parties. The transactions were in the ordinary course of business.

| | 2019 | 2018 |
|---|---|---|
| Management fees - fellow subsidiary | 90,000 | - |
| Directors' remuneration – fees | 10,800 | - |

Notes to the Financial Statements (Continued)
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10. Reinsurance assets and insurance contract provisions

(a) Analysis of movements in reinsurance assets and insurance contract provisions:

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Gross | Reinsurance | Net | Gross | Reinsurance | Net |
| Claims outstanding | 448,838 | 234,354 | 214,484 | 397,021 | 213,738 | 183,283 |
| Unearned premiums | 1,369,128 | 855,693 | 513,435 | 1,074,236 | 712,324 | 361,912 |
| | 1,817,966 | 1,090,047 | 727,919 | 1,471,257 | 926,062 | 545,195 |

(b) Claims outstanding:

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| Claims notified | 242,021 | 149,738 | 92,283 | 5,315,968 | 5,266,362 | 49,606 |
| Claims incurred, but not reported | 155,000 | 64,000 | 91,000 | 115,000 | 38,500 | 76,500 |
| Balance at January 1 | 397,021 | 213,738 | 183,283 | 5,430,968 | 5,304,862 | 126,106 |
| Claims expense incurred | 1,104,352 | 593,220 | 511,132 | 1,434,231 | 770,769 | 663,462 |
| Claims paid in year | (1,052,535) | ( 572,604) | ( 479,931) | (6,468,178) | (5,861,893) | (606,285) |
| Change in outstanding claims provision | 51,817 | 20,616 | 31,201 | (5,033,947) | (5,091,124) | 57,177 |
| Balance at December 31 | 448,838 | 234,354 | 214,484 | 397,021 | 213,738 | 183,283 |
| Claims notified | 249,868 | 133,185 | 116,683 | 242,021 | 149,738 | 92,283 |
| Claims incurred but not reported | 198,970 | 101,169 | 97,801 | 155,000 | 64,000 | 91,000 |
| Balance at December 31 | 448,838 | 234,354 | 214,484 | 397,021 | 213,738 | 183,283 |

(c) Unearned premiums:

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| Balance at January 1 | 1,074,236 | 712,324 | 361,912 | 652,300 | 400,674 | 251,626 |
| Premiums written during the year | 3,986,502 | 2,486,229 | 1,500,273 | 3,090,414 | 2,178,904 | 911,510 |
| Premiums earned during the year | (3,691,610) | (2,342,860) | (1,348,750) | (2,668,478) | (1,867,254) | ( 801,224) |
| Balance at December 31 | 1,369,128 | 855,693 | 513,435 | 1,074,236 | 712,324 | 361,912 |

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10. Reinsurance assets and insurance contract provisions (continued)

(d) Gross unearned premiums are analysed as follows:

| | 2019 | 2018 |
|---|---|---|
| Accident | 9,261 | 21,792 |
| Liability, engineering, bond and guarantee | 4,521 | 3,929 |
| Motor vehicle | 974,901 | 676,878 |
| Fire | 380,445 | 371,637 |
| | 1,369,128 | 1,074,236 |

(e) Insurance contract provisions include an estimate of 9,000 (2018: 6,000) in respect of unallocated loss adjustment expense.

11. Insurance receivable

| | 2019 | 2018 |
|---|---|---|
| Premiums receivable | 759,912 | 184,334 |

Premiums receivable is stated net of commission. No impairment losses have been recognised in the profit and loss relating to premiums receivables.

12. Deferred commission expense

| | 2019 | 2018 |
|---|---|---|
| January 1 | 61,376 | 23,305 |
| Commission paid during the year | 257,044 | 195,942 |
| Amounts recognised in profit or loss during the year | ( 229,875) | ( 157,871) |
| Balance December 31 | 88,545 | 61,376 |

13. Other accounts receivable

| | 2019 | 2018 |
|---|---|---|
| Prepayments | 6,851 | 6,187 |
| Other | 21,935 | 47,288 |
| | 28,786 | 53,475 |

No impairment losses have been recognised in the profit and loss relating to other accounts receivables.

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14. Cash and cash equivalents

| | 2019 | 2018 |
|---|---|---|
| Cash and bank balances | 1,403,944 | 1,500,437 |
| Deposits | 104,733 | 465,646 |
| | 1,508,677 | 1,966,083 |

Cash and cash equivalents include amounts denominated in foreign currencies as follows:

| | 2019 | 2018 |
|---|---|---|
| United States dollars | 797,176 | 940,617 |

15. Other payables and accrued charges

| | 2019 | 2018 |
|---|---|---|
| Accrued charges | 90,142 | 36,192 |
| Other Payables | 217,192 | 151,599 |
| | 307,334 | 187,791 |

16. Insurance payables

| | 2019 | 2018 |
|---|---|---|
| Amounts due to other insurance companies | 233,228 | 626,006 |
| Deferred commission income | 272,819 | 215,021 |
| | 506,047 | 841,027 |

The analysis of the movement in deferred commission income is as follows:

| | 2019 | 2018 |
|---|---|---|
| Balance January 1 | 215,021 | 124,643 |
| Commission received during the period | 700,247 | 648,112 |
| Amounts recognised in income during the year | (642,449) | (557,734) |
| Balance December 31 | 272,819 | 215,021 |

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## 17. Capital and Reserves

| | 2019 | 2018 |
|---|---|---|
| (a) Share capital | | |
| Authorised: | | |
| 900,000 shares of no par value | | |
| Issued and fully paid: | | |
| 900,000 ordinary shares of no par value | 900,000 | 900,000 |

(b) Contributed capital

In 2017, the shareholder ICWI (Cayman) Limited provided capital injection of $450,000.

## 18. Operating expenses

| | 2019 | 2018 |
|---|---|---|
| Audit and accounting fees | 14,429 | 12,096 |
| Bank charges | 37,566 | 65,925 |
| Premium tax | 183,915 | 152,733 |
| Management remuneration fees | 90,000 | - |
| Directors' remuneration - Fees | 10,800 | - |
| Salaries and wages | 367,070 | 348,045 |
| Other staff related costs | 69,258 | 35,131 |
| Office rent | - | 54,951 |
| Travel and travel related expenses | 25,697 | 13,458 |
| Professional service fees | 107,841 | 98,697 |
| Depreciation – Property, plant and equipment | 21,093 | 18,256 |
| – Right-of-use asset | 47,433 | - |
| Utilities | 22,013 | 21,219 |
| Other administrative expenses | 24,856 | 35,867 |
| | 1,021,971 | 856,378 |

## 19. Underwriting policy and reinsurance ceded

| | 2019<br>US$ | 2018<br>US$ |
|---|---|---|
| Liability | 31,250 | 31,250 |
| Marine Hull | 50,000 | 50,000 |
| Marine Cargo | 33,333 | 33,333 |
| Engineering | 30,000 | 30,000 |
| Property | 22,500 | 22,500 |
| Motor | 31,250 | 75,000 |
| Bonds and Fidelity Guarantee | 125,000 | 125,000 |
| Cash | 18,750 | 12,500 |
| Burglary | 25,000 | 25,000 |
| All risk | 50,000 | 50,000 |

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19. Underwriting policy and reinsurance ceded (continued)

In addition, the company has catastrophe reinsurance on which its liability in respect of each event is limited to US$225,000.

20. Insurance and financial risk management

Risk management objectives and policies for mitigating insurance risk:

The company's management of insurance risk is a critical aspect of the business. The primary insurance activity carried out by the company is the transfer of risk from persons or entities that are directly subject to the risk, by means of the sale of insurance policies. As such the company is exposed to uncertainty surrounding the timing, frequency and severity of claims under these policies.

The principal types of policy written by the company are as follows:

Liability insurance
Property insurance
Motor insurance

The company manages its insurance risk through its underwriting policy that includes, *inter alia*, authority limits, approval procedures for transactions that exceed set limits, pricing guidelines and the centralised management of reinsurance.

The company actively monitors insurance risk exposures primarily for individual types of risks. These methods include internal risk measurement, portfolio modelling and scenario analyses.

Underwriting strategy:

The company seeks to underwrite a balanced portfolio of risks at rates and terms that will produce an underwriting result consistent with its long-term objectives.

The Board of Directors of the company approves the underwriting strategy, which is set out in an annual business plan, and management is responsible for the attainment of the established objectives.

Reinsurance strategy:

The company reinsures a portion of the risks it underwrites in order to protect capital resources and to limit its exposure to variations in the projected frequency and severity of losses.

Ceded reinsurance includes credit risk, and the company monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The Board of Directors of the company is responsible for setting the minimum security criteria for accepting reinsurance and monitoring the purchase of reinsurance against those criteria. They also monitor its adequacy on an ongoing basis. Credit risk on reinsurance is discussed in more detail in note 21.

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20. Insurance and financial risk management (continued)

Reinsurance strategy (continued):

Terms and conditions of general insurance contracts:

The table below provides an overview of the terms and conditions of general insurance contracts written by the company and the key factors upon which the timing and uncertainty of future cash flows of these contracts depend.

| **Type of contract** | **Terms and Conditions** | **Key factors affecting future cash flows** |
|---|---|---|
| Liability | Under these contracts, compensation is paid for injury suffered by individuals, including employees or members of the public. The main liability exposures are in relation to bodily injury. | The timing of claim reporting and settlement is a function of factors such as the nature of the coverage and the policy provisions.<br><br>The majority of bodily injury claims have a relatively short tail. In general, these claims involve lower estimation uncertainty.<br><br>The risk on any policy varies according to many factors such as location, safety measures in place and the age of the property. |
| Property | Property insurance indemnifies, subject to any limits or excesses, the policyholder against the loss or damage to their own material property and business interruption arising from this damage. | The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. Therefore, claims are generally notified promptly and can be settled without delay (Property business is therefore classified as "short-tailed" and expense deterioration and investment return is of less importance in estimating provisions).<br><br>The cost of repairing or rebuilding assets, of replacement or indemnity for contents and the time taken to restart or resume operations to original levels for business interruption losses are the key factors influencing the level of claims under these policies. |

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20. Insurance and financial risk management (continued)

Terms and conditions of general insurance contracts (continued):

| **Type of contract** | **Terms and Conditions** | **Key factors affecting future cash flows** |
|---|---|---|
| Motor | Motor insurance contracts provide cover in respect of policyholders' motor vehicles and their liability to third parties in respect of damage to property and injury. The exposure on motor insurance contracts is normally limited to the replacement value of the vehicle and a policy limit in respect of third party damage. | In general, claims reporting lags are minor and claim complexity is relatively low. The frequency of claims is affected by excessive speeding, and failure by some motorists to obey traffic signals. The number of claims is also correlated with economic activity, which also affects the amount of traffic activity. |

Liability contracts:

Risks arising from liability insurance are managed primarily through pricing, product design, risk selection, adopting an appropriate investment strategy, rating and reinsurance. The company monitors and reacts to changes in the general economic and commercial environment in which it operates to ensure that only liability risks which meet its criteria for profitability are underwritten. In pricing contracts, the company makes assumptions that costs will increase in line with the latest available financial and actuarial forecasts.

Property contracts:

The risks relating to property contracts are managed primarily through the pricing process. The company uses strict underwriting criteria to ensure that the risk of losses is acceptable. Furthermore, the company accepts property insurance risks for one year so that each contract can be re-priced on renewal to reflect the continually evolving risk profile.

Motor contracts:

The risks relating to motor contracts are managed primarily through the pricing process and reinsurance. The company monitors and reacts to changes in trends of injury awards, litigation and frequency of claims.

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20. Insurance and financial risk management (continued)

Risk exposure and concentrations of risk:

The following table shows the company's exposure to general insurance risk (based on the carrying value of claims outstanding at the reporting date) per major category of business.

| | Motor | Property | Other | Total |
|---|---|---|---|---|
| At 31 December 2019 | | | | |
| Gross | 417,393 | 22,445 | 9,000 | 448,838 |
| Net of reinsurance | 205,151 | 333 | 9,000 | 214,484 |
| At 31 December 2018 | | | | |
| Gross | 283,437 | 107,584 | 6,000 | 397,021 |
| Net of reinsurance | 154,387 | 22,896 | 6,000 | 183,283 |

Claims development:

Claims development information is disclosed in order to illustrate the insurance risk inherent in the company. The top part of the table shows how the estimates of total claims for each accident year develop over time. The estimates are increased or decreased as losses are paid and more information becomes known about the severity of unpaid claims. The lower part of the table provides a reconciliation of the total provision included in the statement of financial position and the estimate of cumulative claims.

Analysis of net claims development

| | Accident year | | | |
|---|---|---|---|---|
| | 2017 | 2018 | 2019 | Total |
| | '000 | '000 | '000 | '000 |
| Estimate of cumulative claims at end of accident year | 1,804 | 1,318 | 1,673 | 4,795 |
| -one year later | 1,998 | 1,335 | - | 3,333 |
| -two years later | 2,035 | - | - | 2,035 |
| Estimate of cumulative claims | 2,035 | 1,335 | 1,673 | 5,043 |
| Cumulative payments to date | (1,991) | (1,240) | (1,598) | (4,829) |
| Net outstanding claims liabilities | 44 | 95 | 75 | 214 |

21. Financial risk management

The company has exposure to the following risks from its use of financial instruments and its insurance contracts:

Credit risk
Liquidity risk
Market risk

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21. Financial risk management (continued)

Risk management framework:

This note presents information about the company’s exposure to each of the above risks, the company’s objectives, policies and processes for measuring and managing risk, and the company’s management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the company’s financial risk management framework. The company’s risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The focus of financial risk management for the company is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance and investment contracts. The goal of the investment management process is to optimise the risk- adjusted investment income and risk-adjusted total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

The asset/liability matching process is largely influenced by estimates of the timing of payments required in terms of insurance. These estimates are re-evaluated on a regular basis. There are also criteria for ensuring the matching of assets and liabilities as investment markets change.

Firstly, the risk is managed through the establishment of an appropriate underwriting strategy and its implementation by means of the company’s underwriting policy.

Secondly, the risk is managed through the use of reinsurance. The company arranges proportional reinsurance at the risk level and purchases excess of loss cover for liability and property business. The company assesses the costs and benefits associated with the reinsurance programme on a regular basis.

(a) Credit risk

Credit risk is the risk of financial loss to the company if a counterparty fails to meet its contractual obligations.

The company’s key areas of exposure to credit risk include:

- Cash and cash equivalents
- Amounts due from policyholders
- Reinsurers’ share of insurance liabilities
- Amounts due from reinsurers in respect of payments already made to policyholders.

The nature of the company’s exposures to credit risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior period.

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21. Financial risk management (continued)

(a) Credit risk (continued)

Management of credit risk

The company's exposure to individual policyholders and groups of policyholders is monitored as part of its credit control process. Financial analyses are conducted for significant exposures to individual policyholders or homogenous groups of policyholders.

All intermediaries must meet minimum requirements that are established and enforced by the company's management. The payment histories of intermediaries are monitored on a regular basis.

The company also operates a policy to manage its reinsurance counterparty exposures. The company assesses the credit worthiness of all reinsurers by reviewing public rating information and from internal investigations. The impact of reinsurer default is measured regularly and managed accordingly.

(i) Exposure to credit risk:

Credit ratings are not publicly available for any assets with credit risk except for reinsurance assets. The following table analyses the credit rating by investment grade of reinsurance assets bearing credit risk.

| | 2019 | | | |
|---|---|---|---|---|
| | AA | A | Not rated | Total |
| Financial assets carrying amount | - | - | 1,508,677 | 1,508,677 |
| Reinsurance assets (excluding unearned premium reserve) carrying amount | 206,583 | 27,771 | - | 234,354 |
| Insurance and other receivables (excluding prepayments) | | | | |
| Neither past due nor impaired | - | - | 186,482 | 186,482 |
| Past due but not impaired | - | - | 595,365 | 595,365 |
| Gross amount | - | - | 781,847 | 781,847 |
| Allowance for impairment | - | - | - | - |
| Carrying amount | 206,583 | 27,771 | 2,290,524 | 2,524,878 |

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21. Financial risk management (continued)

(a) Credit risk (continued)

(i) Exposure to credit risk (continued):

| | 2018 | | | |
|---|---|---|---|---|
| | AA | A | Not rated | Total |
| Financial assets carrying amount | - | - | 1,966,083 | 1,966,083 |
| Reinsurance assets (excluding unearned premium reserve) Carrying amount | 164,900 | 48,838 | - | 213,738 |
| Insurance and other receivables (excluding prepayments) | - | - | - | - |
| Neither past due nor impaired | | | 132,448 | 132,448 |
| Past due but not impaired | - | - | 99,174 | 99,174 |
| Gross amount | - | - | 231,622 | 231,622 |
| Allowance for impairment | - | - | - | - |
| Carrying amount | - | - | 231,622 | 231,622 |
| | 164,900 | 48,838 | 2,197,705 | 2,411,443 |

The carrying amounts of financial assets and cash and cash equivalents do not include any assets that are either past due or impaired.

The company has no financial assets or reinsurance assets that would be past due or impaired whose terms have been renegotiated.

The company does not hold any collateral as security or any credit enhancements, credit derivatives and netting arrangements that do not qualify for offset.

(ii) Concentrations of credit risk

The specific concentration of risk from counterparties was limited to Cleveland Beresford, marketing agent for the company in Sint Maarten.

21. Financial risk management (continued)

(a) Credit risk (continued)

(iii) Assets that are past due

The company has insurance receivables that are past due but not impaired at the reporting date (as indicated by the overall credit risk exposure analysis). Management believes that impairment of these receivables is not appropriate on the basis of stage of collection of amounts owed to the company. An age analysis of the carrying amounts of these insurance and other receivables is presented below.

| | Less than 46 days | 46 to 90 days | More than 90 days | Total |
|---|---|---|---|---|
| December 31, 2019 | | | | |
| Receivable arising from insurance and reinsurance contracts | | | | |
| - agents, brokers and intermediates | 93,974 | 70,573 | 595,365 | 759,912 |
| December 31, 2018 | | | | |
| Receivable arising from insurance and reinsurance contracts | | | | |
| - agents, brokers and intermediates | 59,578 | 25,582 | 99,174 | 184,334 |

The analysis of overall credit risk exposure indicates that the company has no receivables that are impaired at the reporting date.

(b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations from its financial and insurance liabilities. The company is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. Liquidity risk may arise from a number of potential areas, such as a duration mismatch between assets and liabilities and unexpectedly high levels of claims. The nature of the company's exposure to liquidity risk and its objectives, policies and processes for managing liquidity risk have not changed significantly from the prior year.

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21. Financial risk management (continued)

(b) Liquidity risk (continued)

Management of liquidity risk

The nature of the company's exposures to liquidity risk and its objectives, policies and processes for managing liquidity risk have not changed significantly from the prior year. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Consequently, the company invests in marketable securities that can be readily realised as its obligations under insurance contracts fall due, and in the event of reasonably foreseeable abnormal circumstances.

An analysis of the contractual maturities of the company's financial and insurance contract liabilities is presented below. The analysis provided is by estimating timing of the amounts recognised in the statement of financial position.

| | 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Contractual undiscounted cash flows | | | | | |
| | Carrying Amount | Total cash outflow | Less than 1year | 1-2 years | 2-5 years | 5-10 years | More than 10 years |
| Financial liabilities: | | | | | | | |
| Other payables and accrued charges | 307,334 | 307,334 | 307,334 | - | - | - | - |
| Insurance payables | 506,047 | 506,047 | 506,047 | - | - | - | - |
| Lease liability | 196,740 | 237,600 | 59,400 | 59,400 | 59,400 | 59,400 | - |
| Total financial liabilities | 1,010,121 | 1,050,981 | 872,781 | 59,400 | 59,400 | 59,400 | - |
| Insurance contact provisions | | | | | | | |
| -claims outstanding | 448,838 | 448,838 | 448,838 | - | - | - | - |
| | 1,458,959 | 1,499,819 | 1,321,619 | 59,400 | 59,400 | 59,400 | - |

| | 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Contractual undiscounted cash flows | | | | | |
| | Carrying Amount | Total cash outflow | Less than 1year | 1-2 years | 2-5 years | 5-10 years | More than 10 years |
| Financial liabilities: | | | | | | | |
| Accounts payable | 187,791 | 187,791 | 187,791 | - | - | - | - |
| Insurance payables | 841,027 | 841,027 | 841,027 | - | - | - | - |
| Total financial liabilities | 1,028,818 | 1,028,818 | 1,028,818 | - | - | - | - |
| Insurance contact provisions | | | | | | | |
| -claims outstanding | 397,021 | 397,021 | 397,021 | - | - | - | - |
| | 1,425,839 | 1,425,839 | 1,425,839 | - | - | - | - |

21. Financial risk management (continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and equity prices will affect the value of the company's assets, the amount of its liabilities and/or the company's income. Market risk arises due to fluctuations in the value of liabilities and the value of investments held. The company is exposed to market risk on most of its financial assets.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the company's exposures to market risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior year.

Management of market risk

The Investment Committee of the Company manages market risk in accordance with its asset/liability management framework of the company. The Committee reports regularly to the Board of Directors on its activities. For each of the major components of market risk the company has policies and procedures in place which detail how each risk should be managed and monitored.

The management of each of these major components of major risk and the exposure of the company at the reporting date to each major risk are addressed below.

*Interest rate risk*

Interest rate risk arises primarily from the company's investments. However, changes in investment values attributable to interest rate changes are mitigated by corresponding and partially offsetting changes in the economic value of insurance provisions.

The company manages its interest rate risk by matching, where possible, the duration and profile of assets and liabilities to minimise the impact of mismatches between the value of assets and liabilities from interest rate movements.

Interest bearing financial assets are primarily represented by short term deposits, which have been contracted at fixed and floating interest rates for the duration of the term.

The nature of the company's exposures to interest rate risk and its objectives, policies and processes for managing interest rate risk have not changed significantly from the prior period.

21. Financial risk management (continued)

(c) Market risk (continued)

Management of market risk (continued)

At the reporting date the interest profile of the company's interest-bearing financial instruments was:

| | Carrying amount | |
|---|---|---|
| | 2019 | 2018 |
| Fixed rate instruments: | | |
| Financial assets | 104,733 | 465,646 |

*Fair value sensitivity analysis for fixed rate instruments*

The company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

*Foreign Currency risk*

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The company incurs foreign currency risk on transactions that are denominated in a currency other than Netherland Antilles Guilders. The currency giving rise to the risk is primarily the United States dollar.

*Operational risks*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than financial risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to its reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the company's senior management team.

21. Financial risk management (continued)

(c) Market risk (continued)

Management of market risk (continued)

*Capital risk management*

Capital risk is the risk that the company fails to comply with mandated regulatory requirements, resulting in a breach and possible suspension or loss of its insurance licence. The company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the regulators;
- To safeguard the company's ability to continue as a going concern so that it can continue to provide returns for the company's shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

22. Fair value of financial instruments

Fair value amounts represent estimates of the arms-length consideration that would currently be agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Where quoted market prices are not available, the fair values of these instruments have been determined using a generally accepted alternative method.

The fair values of financial assets and financial liabilities are broadly equivalent to the carrying amount shown in the statement of financial position.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value.

| Financial instrument | Method |
|---|---|
| Cash and cash equivalents, insurance and other receivables, insurance and other payables, reinsurance assets and insurance contract provisions. | Assumed to approximate their carrying values, due to their short-term nature. |

The Company considers relevant and observable market prices in its valuations where possible.

The following table sets out the fair value of the financial instruments using the valuation methods and assumption described below. The fair value disclosed does not reflect the value of assets and liabilities that are not considered financial instruments, such as property, plant and equipment.

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22. Fair value of financial instruments (continued)

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Carrying value | Fair value | Carrying value | Fair value |
| Financial assets: | | | | |
| Cash and cash equivalents | 1,508,677 | 1,508,677 | 1,966,083 | 1,966,083 |
| Due from fellow subsidiary | 3,020 | 3,020 | - | - |
| Accrued investment income | 91 | 91 | 475 | 475 |
| Reinsurance assets | 234,354 | 234,354 | 213,738 | 213,738 |
| Other accounts receivable | 21,935 | 21,935 | 47,288 | 47,288 |
| Insurance receivable | 759,912 | 759,912 | 184,334 | 184,334 |
| | 2,527,989 | 2,527,989 | 2,411,918 | 2,411,918 |
| Financial liabilities: | | | | |
| Insurance contract provisions | 448,838 | 448,838 | 397,021 | 397,021 |
| Other payables and accrued charges | 307,334 | 307,334 | 187,791 | 187,791 |
| Due to fellow subsidiary | - | - | 30,171 | 30,171 |
| Lease liability | 196,740 | 196,740 | - | - |
| Insurance payables | 506,047 | 506,047 | 841,027 | 841,027 |
| | 1,458,959 | 1,458,959 | 1,456,010 | 1,456,010 |

*Determination of fair value and fair values hierarchy*

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

Level 1 - Quoted prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available.

## 23. Subsequent events

In preparing these financial statements management has evaluated subsequent events up to June 29, 2020, which is the date that the financial statements were available to be issued.

The World Health Organization declared the novel Coronavirus (COVID-19) outbreak a pandemic on March 11, 2020. The outbreak of COVID-19, which is a rapidly evolving situation, has adversely impacted global commercial activities. The rapid development and fluidity of this situation precludes any prediction as its ultimate impact, which may have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. The Directors do not believe there is any financial impact to the financial statements as at December 31, 2019, as a result of this subsequent event. Management is monitoring developments relating to COVID-19 and is coordinating its operational response based on existing business continuity plans and on guidance from Government global health organisations and general pandemic response best practices.

No other subsequent events were identified that require additional disclosure in these financial statements.