NEW PROVIDENCE LIFE INSURANCE

COMPANY LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2018

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

Contents

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REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

Opinion

We have audited the accompanying financial statements of New Providence Life Insurance Company Limited which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of New Providence Life Insurance Company Limited as at 31 December 2018 and 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in The Bahamas, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements as at 31 December 2018. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and the auditor does not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

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

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

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

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.

A further description of the auditors' responsibilities for the audit of the financial statements is located in an Appendix to this report. This description forms part of our auditors' report.

The engagement partner on the audit resulting in this independent auditor's report is Clifford Culmer.

BDO

Chartered Accountants
Nassau Bahamas
29 April 2019

APPENDIX TO THE AUDITORS' REPORT

Detailed Description of Our Responsibilities

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

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(Expressed in Bahamian Dollars)

	Note	2018	2017
		$	$
FIXED ASSETS	5	146,339	179,920
NOTE RECEIVABLE	6	927,473	1,063,561
CURRENT ASSETS			
Cash and cash equivalents		809,836	1,792,122
Investments	7	7,636,255	6,260,408
Reinsurance ceded assets	9	478,354	544,164
Reinsurance assumed assets	10	68,645	1,258,590
Prepaid income tax		60,291	86,037
Note receivable – current portion	6	136,088	126,914
Other receivables and prepayments	11	183,519	275,889
		9,372,988	10,344,124
CURRENT LIABILITIES			
Accounts payable and accruals		123,799	85,519
Due to administrator	8	1,708,520	768,615
Unearned premium	12	308,297	391,599
Advanced premium	13	46,788	74,664
Dividend payable		--	800,000
Provision for unpaid claims	14	1,209,005	2,299,452
		3,396,409	4,419,849
NET CURRENT ASSETS		5,976,579	5,924,275
		$7,050,391	$7,167,756
EQUITY			
Share capital	15	3,000,000	3,000,000
Preference shares	16	2,000,000	2,000,000
Contributed surplus	15	500,000	500,000
Fair value reserve		(140,325)	5,652
Accumulated profit		1,690,716	1,662,104
		$7,050,391	$7,167,756

The statements were approved by the board of directors and authorised for issue on 29 April 2019, and are signed on its behalf by:

Director　　　　Director

The Notes on pages 8 to 39 form an integral part of these Financial Statements.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 $	2017 $
UNDERWRITING INCOME			
Net premiums written	17	5,354,055	5,056,192
Net reinsurance premium ceded	18	(928,899)	(889,289)
Net direct premiums earned		4,425,156	4,166,903
REINSURANCE PREMIUM ASSUMED	19	3,032,823	4,430,804
INSURANCE BENEFITS AND CLAIMS			
Claims paid	20	3,974,974	3,682,807
Recovery of loss adjustment expense - net	21	(1,091,079)	(184,784)
Insurance claims recovered from reinsurers	18	(276,453)	(369,858)
		2,607,442	3,128,165
EXPENDITURE			
Commission expense	22	3,005,945	3,140,369
Administrator fee		543,993	561,988
Administrative and marketing expenses	23	729,079	569,244
Salaries and other employee benefits		416,071	406,869
Depreciation		33,581	33,581
		4,728,669	4,712,051
Net underwriting income		121,868	757,491
OTHER INCOME			
Interest and investment income		403,302	340,983
Other income		179,706	173,386
		583,008	514,369
Profit before other comprehensive income and tax		704,876	1,271,860
Income tax expense	26	(144,085)	(104,644)
NET PROFIT FOR THE YEAR		560,791	1,167,216
OTHER COMPREHENSIVE INCOME			
Fair value (loss)/gain on investments		(145,977)	156,372
TOTAL COMPREHENSIVE INCOME		$414,814	$1,323,588
		======	=======

The Notes on pages 8 to 39 form an integral part of these Financial Statements.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Preference shares	Contributed surplus	Fair value reserve	Accumulated profit	Total
	$	$	$	$	$	$
1 January 2017	3,000,000	2,000,000	500,000	(150,720)	1,454,888	6,804,168
Dividends paid – preference shares	--	--	--	--	(160,000)	(160,000)
Dividends paid – common shares	--	--	--	--	(800,000)	(800,000)
Net profit for the year	--	--	--	--	1,167,216	1,167,216
Other comprehensive income:						
Fair value gain on investments	--	--	--	156,372	--	156,372
Total comprehensive income	--	--	--	156,372	1,167,216	1,323,588
31 December 2017	3,000,000	2,000,000	500,000	5,652	1,662,104	7,167,756
Dividends paid – preference shares	--	--	--	--	(160,000)	(160,000)
Dividends declared – common shares	--	--	--	--	(372,179)	(372,179)
Net profit for the year	--	--	--	--	560,791	560,791
Other comprehensive income:						
Fair value loss on investments	--	--	--	(145,977)	--	(145,977)
Total comprehensive income	--	--	--	(145,977)	560,791	414,814
31 December 2018	$3,000,000	$2,000,000	$500,000	$(140,325)	$1,690,716	$7,050,391
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The Notes on pages 8 to 39 form an integral part of these Financial Statements.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before tax	704,876	1,271,860
Adjustment for:		
Depreciation	33,581	33,581
Interest income	(337,226)	(287,977)
Operating income before working capital changes	401,231	1,017,464
Decrease/(increase) in reinsurance ceded assets	65,810	(74,982)
Decrease/(increase) in reinsurance assumed assets	1,189,945	(210,284)
Decrease in other receivables and prepayments	11,332	1,665
Increase/(decrease) in accounts payable and accruals	38,280	(6,149)
Net movement in due to administrator	939,905	427,200
(Decrease)/increase in unearned premium	(83,302)	23,580
(Decrease)/increase in advanced premium	(27,876)	28,010
Decrease in provision for unpaid claims	(1,090,447)	(182,603)
Cash provided by operations	1,444,878	1,023,901
Interest received	337,226	287,977
Income tax paid	--	(350,000)
Net cash provided by operating activities	1,782,104	961,878
CASH FLOWS FROM INVESTING ACTIVITIES		
Note receivable repayment	126,914	118,357
Net movement in investments	(1,559,125)	(191,832)
Net cash used by investing activities	(1,432,211)	(73,475)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid – preference shares	(160,000)	(160,000)
Dividends paid – common shares	(1,172,179)	--
Net cash used by financing activities	(1,332,179)	(160,000)
Net (decrease)/increase in cash and cash equivalents	(982,286)	728,403
Net cash and cash equivalents at beginning of the year	1,792,122	1,063,719
Net cash and cash equivalents at end of the year	$809,836	$1,792,122

The Notes on pages 8 to 39 form an integral part of these Financial Statements.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. INCORPORATION AND ACTIVITIES

New Providence Life Insurance Company Limited (formerly Star Bahamas General Insurance Company Limited) ("Company") was incorporated under the Companies Act, 1992 of the Commonwealth of the Bahamas on 17 November 2001. On 8 May 2013, the name of the Company was changed to its current name. Effective 20 February 2014, license was granted to the Company to act as an insurance carrier by the Insurance Commission of the Bahamas ("ICB"). The Company has been inactive in the years before the license was granted. The Company's principal activity is writing life, disability and health insurance policies.

Effective 1 January 2014, the Company's issued and outstanding shares were owned by AMFirst Insurance Company Inc. (a company incorporated in Oklahoma, USA), OIC Holdings Inc.(a company incorporated in Mississippi, USA) and Star General Investments (G.B.) Limited (a company incorporated in the Bahamas) having ownership percentages of 58%, 17% and 25%, respectively. Prior to that date, the Company is a wholly owned subsidiary of Star General Investments (G.B.) Limited.

The Company's registered office is Corporate Legal Services, Pickstock Place, Robinson Road, Nassau, Bahamas. The main place of business is RoyalStar House, John F. Kennedy Drive, Nassau, Bahamas.

Morgan White Administrators International, Inc. (a company incorporated in Mississippi, USA) functions as "Administrator" performing accounting services and premiums and claims processing on behalf of the Company.

2. BASIS OF PREPARATION

These financial statements are prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRS). The financial statements have also been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results can differ from those estimates.

2. BASIS OF PREPARATION (cont)

Critical accounting estimates and judgements

Provision for unpaid claims

There are several sources of uncertainty that were considered by the Company in estimating the provision for unpaid claims. The uncertainty arises because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time. Changes in the estimate of the provision can be caused by receipt of additional claim information, changes in judicial interpretation of contracts, or significant changes in severity or frequency of claims from historical trends. The estimates are mainly based on the Company's historical and industry experience.

Unearned premium calculation

The Company estimates 55% of the gross premium to be the portion related to recovery of cost or acquisition cost of insurance contract. The remaining 45% is the portion related to insurance protection. In the event that insurance policies are cancelled, the portion related to recovery of cost will not be refunded thus considered as earned immediately. Only the portion related to insurance protection is considered in the calculation of unearned premium.

3. ACCOUNTING POLICIES

Fixed assets

Fixed assets are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follow:

Leasehold improvements	15 years
Office furniture and equipments	5 years

Subsequent additions are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probably that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

3. ACCOUNTING POLICIES (cont)

Fixed assets (cont)

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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in profit or loss.

Financial assets and financial liabilities

Recognition and initial measurement

All financial assets and financial liabilities are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Financial assets - classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are Solely Payments of Principal and Interest ("SPPI").

The Company's financial assets measured at amortised cost include cash and cash equivalents, note receivable, reinsurance ceded assets and reinsurance assumed assets. These financial assets are held to collect contractual cash flows.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

3. ACCOUNTING POLICIES (cont)

Financial assets and financial liabilities (cont)

Financial assets - classification and subsequent measurement (cont)

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

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

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

The Company's financial assets measured at FVOCI include investments in corporate bonds and government bonds which are held to earn interest and gains on sale. Investments in equities, exchange traded funds and private equities were irrevocably designated to be measured at FVOCI.

The Company does not have financial assets measured at FVTPL during the year.

Financial liabilities – classification and subsequent measurement

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

3. ACCOUNTING POLICIES (cont)

Financial assets and financial liabilities (cont)

Financial liabilities – classification and subsequent measurement (cont)

Financial liabilities at FVTPL:

- The Company does not have financial liabilities measured at FVTPL.

Financial liabilities at amortised cost:

- The Company's financial liabilities at amortised costs include accounts payable and accruals, due to administrator and dividend payable.

Impairment

The Company recognises loss allowances for Expected Credit Losses ("ECLs") on financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

– financial assets that are determined to have low credit risk at the reporting date; and

– other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

3. ACCOUNTING POLICIES (cont)

Financial assets and financial liabilities (cont)

Derecognition

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

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

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents include demand deposits and other short-term highly liquid investments with original maturities of three months or less.

Revenue and expenses recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognised when earned and expenses are recognised when incurred on an accrual basis.

3. ACCOUNTING POLICIES (cont)

Premiums written and reinsurance premiums ceded

Premiums written and reinsurance premiums ceded are recognised on a pro rata basis over the period of the policies. Premiums are stated gross of commissions. Any change in unearned or deferred portion at the statement of financial position date is transferred to unearned premiums and reinsurance premiums ceded in profit or loss.

Provision for unpaid claims

Provisions are made for adjustment expenses, changes in reported claims and for claims incurred but not reported, based on past experience, industry experience and business in force. The estimates are regularly reviewed and updated, and any resulting adjustments are included in profit or loss. Assumptions and estimates used are also evaluated by an independent actuary.

Premium tax

Premium tax is incurred at a rate of 3% of gross premiums written in The Commonwealth of the Bahamas and is recognised when the Company's obligation to make payment has been established. Premium tax is remitted quarterly in accordance with the Insurance Commission of the Bahamas regulation.

Foreign currency translation

The financial statements are presented in Bahamian dollars, which is the Company's functional and presentation currency, as it represents the currency of the primary economic environment in which the Company operates.

Foreign currency transactions are translated into the functionally currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from 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 profit or loss.

Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

3. ACCOUNTING POLICIES (cont)

Employee benefits

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 obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

Income taxes

Income taxes are recognised for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Section 953(d) of the U.S. Internal Revenue Code allows a controlled foreign corporation engaged in the insurance business to elect to be treated as a U.S. corporation for U.S. tax purposes. A controlled foreign corporation that makes this election will be subject to tax in the United States on its worldwide income but will not be subject to the branch profits tax or the branch-level interest tax imposed by section 884. Further, the excise tax imposed under section 4371 on policies issued by foreign insurers will not apply. The Company has elected to be treated as a U.S. Company for U.S. Tax purposes.

Value added tax

On 1 January 2015, the Value Added Tax (VAT) Act became effective in the Commonwealth of the Bahamas with 3 categories for goods and services: tax at 7.5%, exempt and zero-rated.

In accordance with the Act, the Company's insurance premiums written are VAT exempt for the period from 1 January to 30 June 2015. Starting 1 July 2015, insurance premiums written are subject to 7.5% VAT rate.

Effective 1 July 2018, the VAT rate has increased from 7.5% to 12%.

4. NEW AND AMENDED STANDARDS

The Company has adopted the following new and amended Standards and Interpretations issued by International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to the Company's operations and effective for the current accounting period.

IFRS 9 (issued November 2009 and amended October 2010 and July 2014)

This standard amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in IAS 39 have been eliminated.

Under IFRS 9, there are three categories of financial assets:

- Amortised cost
- Fair value through profit or loss
- Fair value through other comprehensive income

IFRS 9 also requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the fair value of a financial liability that is designated at fair value through profit or loss (using the fair value option) that relate to changes in the reporting entity's own credit risk are normally recognised in other comprehensive income.

The changes are to be applied prospectively from the date of adoption. The effective date of the amendments is 1 January 2018.

In 2016, the IASB advanced its project to replace IFRS 4 Insurance Contract which is expected to have a mandatory effective date of 1 January 2021. As a result, the IASB amended IFRS 4 to address concerns raised related to IFRS 9 and the new insurance standard having different effective dates. These concerns relate mainly to the potential for insurers to produce financial statements that contain two very significant changes in accounting in a short period of time, and volatility that might arise in financial statements during the period between the effective date of IFRS 9 and the new insurance standard, due to changes in measurement requirements. The amendments permit either the deferral of the adoption of IFRS 9 for entities whose predominant activity is issuing insurance contracts or an approach which moves the additional volatility created by having non-aligned effective dates from profit or loss to other comprehensive income.

4. NEW AND AMENDED STANDARDS (cont)

The Company's investments previously classified as available-for-sale have been classified as financial asset at FVOCI upon adoption of IFRS 9. This change did not have a material impact on the measurement of the Company's investments.

IFRS 15 – Revenue from Contracts with Customer (issued May 2014 and amended September 2015)

This standard establishes a single and comprehensive framework which sets out how much revenue is to be recognised, and when. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The core principle is that a vendor should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the vendor expects to be entitled in exchange for those goods or services. Revenue will now be recognised by a vendor when control over the goods or services is transferred to the customer.

The application of the core principle in IFRS 15 is carried out in five steps:

- Step 1: Identify the contract
- Step 2: Identify separate performance obligations
- Step 3: Determine the transaction price
- Step 4: Allocate transaction price to performance obligations
- Step 5: Recognize revenue as or when each performance obligation is satisfied.

The standard is effective for annual periods commencing on or after 1 January 2018.

Adoption of IFRS 15 did not have a significant impact on the Company's financial statements as the Company's main revenue pertains to premiums on insurance policies written.

Annual Improvements to IFRSs 2014-2016 Cycle

There were three amendments as part of the 2014-2016 Annual Improvements Cycle. These were made to IFRS 1, IFRS 12 and IAS 28.

- IFRS 1 – effective 1 January 2018

A number of short–term exemptions in IFRS 1 First Time Adoption of International Financial Reporting Standards were deleted. The reliefs provided by these exemptions were no longer applicable.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

4. NEW AND AMENDED STANDARDS (cont)

Annual Improvements to IFRSs 2014-2016 Cycle (cont)

- IAS 28 – effective 1 January 2018

  IAS 28 Investments in Associates and Joint Ventures, permits an investment in an associate or joint venture to be measured at fair value through profit or loss, instead of the equity method being applied, if the investment is held directly or indirectly through a venture capital organisation, unit trust or similar entities. IAS 28 was amended to specify that a qualifying entity may elect to measure investments in associates and joint ventures at fair value through profit or loss on an investment-by-investment basis, upon initial recognition.

The Company has already adopted improvements to IFRS 12 in 2017. The adoption of improvements to IFRS 1 and IAS 28 did not have a significant impact on the Company's financial statements.

IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Consideration – effective 1 January 2018

IFRIC 22 addresses how to determine the date of transaction for the purpose of determining the spot exchange rate used to translate foreign currency transactions on initial recognition in circumstances when an entity pays or receives some or all of the foreign currency consideration in advance of the recognition of the related asset, expense or income.

The interpretation states that the date of the transaction, for the purpose of determining the spot exchange rate used to translate the related asset, expense or income (or part of it) on initial recognition, is the earlier of:

(a) The date of initial recognition of the non-monetary prepayment asset or the non monetary deferred income liability; and

(b) The date that the asset, expense or income (or part of it) is recognised in the financial statements.

Adoption of this interpretation did not have a significant impact on the Company's financial statements.

4. NEW AND AMENDED STANDARDS (cont)

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial years ended 31 December 2018. They have not been adopted in preparing the financial statements and are expected to affect the entity in the period of initial application. In all cases the entity intends to apply these standards from application date as indicated below.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 contains a single lessee accounting model, which eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease, other than short term leases and leases of low value items for which a lessee has the option not to apply the measurement and presentation requirements of IFRS 16, will be recorded in the statement of financial position with a “right of use” asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. For many entities the effect of bringing all leases on the statement of financial position will be very significant and will require careful planning, including for commercial effects.

In the income statement, the application of IFRS 16 will result in a depreciation charge (within operating expenses) and an interest expense.

The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements.

IFRS 16 has an effective date of 1 January 2019, with early application permitted only if IFRS 15 has also been adopted.

The Company will review any contract that meets the definition of a lease upon the future adoption of this standard.

Annual Improvements to IFRSs 2015-2017 Cycle

There were four amendments as part of the 2015-2017 Annual Improvements Cycle. These were made to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

4. NEW AND AMENDED STANDARDS (cont)

Annual Improvements to IFRSs 2015-2017 Cycle (cont)

- IFRS 3 - *effective 1 January 2019*

  A company remeasures its previously held interest in a joint operation when it obtains control of the business.

- IFRS 11 - *effective 1 January 2019*

  A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- IFRS 12 - *effective 1 January 2019*

  A company accounts for all income tax consequences of dividend payments in the same way.

- IAS 23 - *effective 1 January 2019*

  A company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The Company does not expect any significant impact on the financial statements upon the future adoption of the amendment.

IFRS 17 – Insurance Contracts (issued May 2017- effective 1 January 2021)

IFRS 17 Insurance Contracts, was issued in May 2017 and lays out a fundamentally new way of measuring and presenting insurance contracts and related financial statement items for entities that issue insurance contracts. Some of the key aspects of IFRS 17 include new models for insurance liabilities, changes to discounting and the rate being used to discount claims liabilities, and changes to deferred premium acquisition costs. The technical aspects of IFRS 17 are complex and will require specific consultation on the situation to determine the exact impact.

The effective date for IFRS 17 is January 1, 2021, with the requirement to restate comparative figures.

The Company is in the process of evaluating the impact of the new standard.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

5. FIXED ASSETS

	Leasehold improvements	Office furniture and equipment	Total
	$	$	$
COST			
1 January and 31 December 2018	196,510	102,403	298,913
DEPRECIATION			
1 January 2018	45,837	73,156	118,993
Charge for the year	13,101	20,480	33,581
31 December 2018	58,938	93,636	152,574
NET BOOK VALUE			
31 December 2018	$137,572	$8,767	$146,339
31 December 2017	$150,673	$29,247	$179,920

6. NOTE RECEIVABLE

Loan receivable comprise of:

	2018	2017
	$	$
Note receivable	1,063,561	1,190,475
Less: Current portion	(136,088)	(126,914)
	$927,473	$1,063,561

On 28 May 2015, the Company granted a promissory note to JDR Mississippi LLC, which is owned by a Director of the Company, ("Borrower") for a principal amount of $1,480,129 in order for the Borrower to settle its bank loan. The loan accrues interest of 7% per annum and is to be repaid through blended principal and interest payment of $17,186 per month beginning 28 June 2015 until 28 May 2025 at which time the remaining indebtedness and accrued interest shall be due and payable. The loan is secured by a Deed of Trust on a property located in the First Judicial District of Hinds County Mississippi with a value of $1,775,000 based on the appraisal performed by a third party appraiser dated 31 March 2006.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

7. INVESTMENTS

All of the Company's investments are considered to be at financial assets measured at FVOCI (2017: available-for-sale). The Company's investments are ranked into Levels 1 to 3, based on the degree to which the fair value is observable:

Level 1 - Fair value measures are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 - Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Company's assets that are measured at fair value as at 31 December 2018 and 2017. The Company does not have financial liabilities at fair value.

	Fair Value Measurements			
	Level 1	**Level 2**	**Level 3**	**Total**
2018	**$**	**$**	**$**	**$**
Equities	312,568	--	--	312,568
Exchange traded funds	1,798,099	--	--	1,798,099
Corporate bonds	--	399,948	--	399,948
Government bonds	--	3,560,357	--	3,560,357
Preferred stock	966,971	500,000	--	1,466,971
Private equity	--	--	98,312	98,312
	$3,077,638	$4,460,305	$98,312	$7,636,255
	=======	=======	=====	=======
2017				
Equities	294,806	--	--	294,806
Exchange traded funds	500,970	--	--	500,970
Corporate bonds	--	437,404	--	437,404
Government bonds	--	3,351,866	--	3,351,866
Preferred stock	1,077,050	500,000	--	1,577,050
Private equity	--	--	98,312	98,312
	$1,872,826	$4,289,270	$98,312	$6,260,408
	=======	=======	=====	=======

7. INVESTMENTS (cont)

The private equity investment of $98,312 pertains to 1.82% ownership on a limited liability company which is in the process of constructing a hotel. The project was substantially completed during the fourth quarter of 2018. The year-end market value is considered to be the initial amount invested as the hotel only commenced operations in the first quarter of 2019.

During the year, the Company recognised a fair value reserve, net of tax, through other comprehensive income of $(145,977) (2017: $156,372).

8. DUE TO ADMINISTRATOR

Transactions with the Administrator pertain to premium payments received from insurance policy holders less commissions and administrative expenses held by the Administrator on behalf of the Company. In the current and prior year, there is a balance due to Administrator since payments made by the Administrator on behalf of the Company exceeded the funds held. The payable balance was unsecured, interest free and has no fixed terms of repayment.

9. REINSURANCE CEDED ASSETS

Reinsurance ceded assets comprise of:

	2018	2017
	$	$
Deferred reinsurance premium	442,613	442,214
Receivable from reinsurance recoveries	29,729	96,570
Reinsurers' share of provision for unpaid claims	6,012	5,380
	$478,354	$544,164
	======	======

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

10. REINSURANCE ASSUMED ASSETS

Reinsurance assumed assets comprise of:

	2018 $	2017 $
Assumed reinsurance premium receivable	3,589	9
Due from Standard Life and Accident Reinsurance Company	65,056	104,259
Due from AmFirst Insurance Company, Ltd. (Bermuda)	--	5,518
Due from TPM Life Insurance Company	--	1,148,804
	$68,645	$1,258,590

The balances due from Standard Life and Accident Reinsurance Company, AmFirst Insurance Company, Ltd. and TPM Life Insurance Company pertains to outstanding assumed reinsurance premium less assumed claims, commissions and administrative expenses on reinsurance. The receivable balances were unsecured, interest free and has no fixed terms of repayment.

In prior year, the Company's majority shareholder, AMFirst Insurance Company Inc., issued a standby letter of credit in favor of the Company up to a maximum of $2 million as guarantee for the balance due from TPM Life Insurance Company. The standby letter of credit is for a period of 1 year and extended for successive 1 year periods unless withdrawn by AMFirst Insurance Company Inc. The reinsurance agreement with TPM Life Insurance Company was terminated during the year and the letter of credit was no longer extended.

11. OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments comprise of:

	2018 $	2017 $
Interest receivable	81,753	83,090
Prepayments	--	12,995
Deferred tax asset	45,766	126,804
Others	56,000	53,000
	$183,519	$275,889

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

12. UNEARNED PREMIUM

	2018 $	2017 $
Gross premiums written - direct	5,539,484	5,248,620
Premiums earned - direct	(5,231,187)	(4,959,424)
Unearned premium direct, end of year	308,297	289,196
Add: Unearned reinsurance premium assumed	--	102,403
	$308,297	$391,599
	======	======

The Company estimates 55% of the gross premium to be the portion related to recovery of cost or acquisition cost of insurance contract. The remaining 45% is the portion related to insurance protection. In the event that insurance policies are cancelled, the portion related to recovery of cost will not be refunded thus considered as earned immediately. Only the portion related to insurance protection is considered in the calculation of unearned premium.

13. ADVANCED PREMIUM

This balance represents the premiums received in advance of the Company's next annual insurance policy billing including the assumed advanced premium on reinsurance. The balance remains an advance until the respective policy renewal has been issued by the Company and is earned over the term of the policy.

14. PROVISION FOR UNPAID CLAIMS

Provision for unpaid claims is comprised of:

	2018 $	2017 $
Claims reserve	998,606	1,160,822
Life policy reserve	160,468	1,087,327
Loss adjustment expense reserve	49,931	51,303
	$1,209,005	$2,299,452
	=======	=======

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

15. SHARE CAPITAL

	2018	2017
Authorised, issued and fully paid		
3,000,000 ordinary shares of $1 each	$3,000,000	$3,000,000
	=======	=======

Effective 1 January 2014, Star General Investments (G.B.) Limited ("Seller") sold all of the Company's issued and outstanding shares to AMFirst Insurance Company Inc. and OIC Holdings Inc. ("Purchasers") for $3,500,000 which was applied as $3,000,000 in share capital and $500,000 as contributed surplus. The Purchasers then agreed to resell 750,000 shares at $1 each to the Seller. In 2018, OIC Holdings, a 17.25% owner of the common stock of the Company, dissolved and the ownership interest in Company was transferred to AmFirst Holdings, the ultimate parent company

Ownership of the Company's issued share capital follows:

	No. of Shares	
	2018	2017
AMFirst Insurance Company Inc.	2,250,000	1,732,500
OIC Holdings Inc.	--	517,500
Star General Investments (G.B.) Limited	750,000	750,000
	3,000,000	3,000,000
	=======	=======

16. PREFERENCE SHARES

	2018	2017
Authorised		
2,000,000 8% Redeemable preference shares of $1 each	$2,000,000	$2,000,000
	=======	=======
Issued and fully paid		
2,000,000 8% Redeemable preference shares of $1 each	$2,000,000	$2,000,000
	=======	=======

The Board of Directors has resolved and the Insurance Commission of the Bahamas ("ICB") has authorized the offering of $2,000,000 Series A 8% Redeemable Preference Shares. The preference shares pay cash dividend semi-annually in December and June each year subject to the declaration of the Directors. Should the Directors make the decision not to pay the dividend, the dividend would not be cumulative.

16. PREFERENCE SHARES (cont)

The preference shares have no maturity date but may be redeemed at the option of the Company with 90 days written notice to the preference shareholders at any time after the fifth anniversary of the Closing Date, with the prior approval of the ICB.

If the Company liquidates, dissolves, winds-up, or sell more than 50% of the value of the Company's assets other than in the ordinary course of the Company's business, holders of the preference shares will have the right to redeem their preference shares, being the right to receive the return of the par value plus any premium paid thereon plus any unpaid declared dividends on the preference shares to the date of that liquidation, dissolution, winding-up, or reduction or decrease in assets before any distribution is made to any subordinated class of shares, including the Company's ordinary shares, but after the distribution on any of the Company's indebtedness, including policy holder and creditor claims, ranking senior to the preference shares. The Company will not be required to pay any dividends after the date of such liquidation, dissolution, winding-up or sale.

The preference shares will rank with respect to the payment of dividends and payments upon liquidation: (1) senior to the Company's ordinary shares; (2) pari-passu with any class of preference shares hereafter issued by the Company and (3) subordinate to any bonds, debentures, debt obligations, or policy holder claims currently of which the Company may enter into.

The preference shares are not secured by any specific collateral. The preference shares will have no voting rights.

17. NET PREMIUMS WRITTEN

Net premiums written comprise of:

	2018 $	2017 $
Gross premiums written	5,539,484	5,248,620
Premium tax	(166,328)	(157,561)
	5,373,156	5,091,059
Increase in unearned premium	(19,101)	(34,867)
	$5,354,055	$5,056,192
	=======	=======

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

18. NET REINSURANCE PREMIUMS CEDED

Net reinsurance premiums ceded comprise of:

	2018 $	2017 $
Reinsurance premiums ceded	968,236	925,282
Ceding commission	(38,938)	(29,729)
Increase in deferred reinsurance premium ceded	(399)	(6,264)
	$928,899	$889,289

The Company has the following reinsurance agreements:

Reinsurer	Coverage
Health Insurance	
AmFirst Life Insurance Company (Puerto Rico)	- 50% of losses between $50,000 and $200,000
AMFirst Insurance Company Ltd. (Bermuda)	- 50% of losses between $50,000 and $200,000
AMFirst Insurance Company (Oklahoma)	- 50% of losses between $50,000 and $200,000
Certain Underwriting Members of Lloyds London	- All losses in excess of $200,000 up to $800,000 per person each and every loss. Maximum amount recoverable of $2,400,000
Personal Accident and/or Sickness	
Pembroke 4000	- Maximum $1,000,000 anyone person. Monthly benefit 1% of sum insured payable for a maximum of 9 months excess of 90 days each and every loss.
Personal Critical Accident and/or Sickness	
Pembroke 4000	- Maximum $1,000,000 anyone person. Monthly benefit 1% of sum insured payable for a maximum of 36 months excess of 90 days each and every loss.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

18. NET REINSURANCE PREMIUMS CEDED (cont)

The period of risk for each reinsurance agreement is considered to be for 2 years thus the reinsurance premium is amortised over the same duration.

Recoveries from reinsurers follow:

	2018 $	2017 $
AMFirst Life Insurance Company (Puerto Rico)	35,681	--
AMFirst Insurance Company Ltd. (Bermuda)	102,546	184,929
AMFirst Insurance Company (Oklahoma)	138,227	184,929
	$276,454	$369,858
	======	======

19. REINSURANCE PREMIUM ASSUMED

The Company entered into the following quota share reinsurance agreements:

Reinsured	Coverage
Standard Life and Accident Insurance Company	- 20% quota share of all gross liabilities and obligations arising out of the "Premium Saver" medical policies issued by the reinsured.
AMFirst Insurance Company, Ltd. (Bermuda)	- 10% quota share of all gross liabilities and obligations arising out of the Executive Disability policies issued by the reinsured excluding the cash value portion. - 100% share of all gross liabilities and obligations arising out of the Cash Value portion of the above policy.
TPM Life Insurance Company	- 100% quota share of all gross liabilities and obligations arising out of the medical policies including individual cancer, hospital and disability policies issued by the reinsured.

19. REINSURANCE PREMIUM ASSUMED (cont)

The reinsurance agreement with TPM Life Insurance Company was terminated during the year.

Reinsurance premium assumed comprise of:

	2018 $	2017 $
Gross reinsurance premium assumed	2,930,420	4,429,954
Premium tax assumed	--	(10,437)
	2,930,420	4,419,517
Decrease in unearned reinsurance premium assumed	102,403	11,287
	$3,032,823	$4,430,804
	=======	=======

20. CLAIMS PAID

This pertains to payments made for claims of the insured against their insurance policies. This also includes payments made on assumed reinsurance claims from reinsured.

Claims paid comprise of:

	2018 $	2017 $
Claims paid on direct written policies	2,313,428	1,799,066
Reinsurance assumed claims paid	1,661,546	1,883,741
	$3,974,974	$3,682,807
	=======	=======

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

21. (GAIN)/LOSS ADJUSTMENT EXPENSE - NET

Loss adjustment expense - net is comprised of:

	2018 $	2017 $
Change in claims reserve	(162,818)	(155,682)
Change in loss adjustment expense reserve	(1,402)	(7,070)
Change in policy reserve	(926,859)	(22,032)
	$(1,091,079)	$(184,784)

22. COMMISSION EXPENSE

Commission expense is comprised of:

	2018 $	2017 $
Commission paid on reinsurance assumed	1,629,067	1,846,407
Commission paid on premiums written	1,376,878	1,293,962
	$3,005,945	$3,140,369

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

23. ADMINISTRATIVE AND MARKETING EXPENSES

	2018 $	2017 $
Bank charges	186,838	220,672
Foreign exchange loss	102,530	--
Actuarial expenses	47,071	71,515
Rent and common area maintenance	74,133	54,283
Directors and management expenses	51,500	49,500
Travel expenses	61,533	34,885
Professional fees	32,850	25,725
Marketing	30,686	20,595
Utilities	16,291	16,124
Office supplies	20,028	11,272
Computer and IT expense	18,171	10,111
License fees	21,585	7,882
Telephone	6,976	6,566
Postage and shipping	4,797	4,502
Dues and subscriptions	5,844	3,903
Repairs and maintenance	3,809	3,807
Insurance expense	2,823	2,769
Consulting fees	--	2,500
Others	41,614	22,633
	$729,079	$569,244

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

24. LEASE AGREEMENT

The Company has a lease agreement with Royal Star Investment Ltd., for the use of office space. The lease agreement is for 5 years commencing 1 May 2014 to 30 April 2019.

During the year, the Company leased an additional space for the period from 1 October 2018 to 30 September 2019.

The Company has outstanding commitments for future lease payments are as follows:

	2018 $	2017 $
One year	39,507	10,707
Two years to five years	--	--
	$39,507	$10,707

25. PENSION PLAN

The Company has a Participation Agreement with The Royal Fidelity Pension Plan ("the Plan"), a defined contribution pension plan in which all employees are required to be members. Under the Plan, the Company contributes an amount equivalent to the member's contribution up to a maximum of 4.00% of the employees' salaries. Total pension cost charged to operations amounted to $9,575 (2017: $10,111).

26. INCOME TAX

Income tax comprise of:

	2018 $	2017 $
Federal tax expense	25,746	229,205
Deferred tax	118,339	(124,561)
	$144,085	$104,644

Reconciliation between the income tax and the product of accounting profit based on the statutory tax rate of 21% (2017: 34%) follows:

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

26. INCOME TAX (cont)

	2018 $	2017 $
Profit before tax	704,876	1,271,860
Tax at statutory rates	148,024	432,431
Tax effect of expenses not deductible for tax purposes	3,706	10,953
Tax effect of dividend received deduction	(6,872)	(3,751)
Tax effect of proration	2,062	563
Tax effect of SLICD	--	(264,118)
	146,920	176,078
Prior year return to provision difference	608	7,701
Alternative minimum tax adjustment	(121,782)	45,426
	$25,746	$229,205
	=====	======

27. RELATED PARTY TRANSACTIONS

The Company's directors are regarded to be its key management personnel. The president and non-executive directors are paid an annual fee of $6,000 plus $500 for every board meeting and committee meeting attended.

During the year, the key management personnel benefits totaled $43,500 (2017: $49,500).

The following reinsurers and reinsured companies are considered related parties by virtue of common ownership within the group.

Reinsurers
AmFirst Life Insurance Company (Puerto Rico)
AmFirst Insurance Company Ltd. (Bermuda)
AmFirst Insurance Company (Oklahoma)

Reinsured
Standard Life and Accident Insurance Company
AmFirst Insurance Company, Ltd. (Bermuda)
TPM Life Insurance Company

28. MATURITIES OF FINANCIAL ASSETS AND LIABILITIES

All of the Company's current financial assets and liabilities are due within one year.

29. INTEREST RATE RISK

Except for the Company's note receivable and investment in bonds as disclosed in Note 6 and 7, no financial instruments have a significant exposure to interest rate risk.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

All of the Company's significant financial instruments are considered to have fair values equivalent to their carrying value.

31. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Insurance risk

This note presents information about the Company's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's 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. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

31. FINANCIAL RISK MANAGEMENT (cont)

Credit risk

Credit risk is the risk of financial loss arising if a counter-party fails to meet its contractual obligations. The Company actively seeks to minimise this risk by placing its bank balances with first rate financial institutions. The majority of the Company's receivables are due from administrators and reinsurers thus there is no significant exposure to credit risk. The note receivable is secured by a Deed of Trust on a property located in the First Judicial District of Hinds County Mississippi with a value of $1,775,000 based on the appraisal performed by a third party appraiser dated 31 March 2006.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligation as they fall due. 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. The Company maintains adequate highly liquid assets in the form of cash and cash equivalents to assure necessary liquidity. Claim payments are funded by current operating cash flow including investment income.

Maturity profile of the Company's investments in Corporate Bonds and Government Bonds follows:

	2018	2017
	$	$
One to five years	1,494,807	1,371,400
Five to ten years	60,000	110,000
More than ten years	2,405,498	2,307,870
	$3,960,305	$3,789,270
	=======	=======

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company is exposed to market risk on investments in that the Company may not be able to readily dispose of its holdings when it chooses and also that the price obtained on disposal is below that at which the investment is included in the Company's financial statements.

31. FINANCIAL RISK MANAGEMENT (cont)

Market risk (cont)

The Company's market risk is managed through regular monitoring by the Investment Committee of the Board of Directors and through diversification of the investment portfolio across a wide range of financial assets.

Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements as disclosed in Note 18.

Amounts recoverable from reinsurers are calculated in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Company's primary business is accident and health ("A&H") covering individuals. The Company's blocks of business consist of the following:

- Individual Medical Expense Plans – These plans provide medical expense coverage for individuals.
- Individual Disability Income Plans – These coverages provide disability income for individuals.
- Individual Term Life – These plans provide coverage to an individual for a fixed period of time in which if the life insured dies during the defined period, a death benefit will be paid to the beneficiary.
- Group Term Life – These plans provide coverage to a group for a fixed period of time in which if a covered individual dies during the defined period, a death benefit will be paid to the beneficiaries.

31. FINANCIAL RISK MANAGEMENT (cont)

The assumptions used for the actuarial valuation of the Company's provision for unpaid claims as disclosed in Note 14 follows:

Medical

The medical coverages tend to settle quickly. Approximately 80% of the final claims are paid within three calendar months of incurral. A key reason for this quick settlement is contract provisions for a required 90-day claim reporting by the insured. Given the extremely short-tailed nature of loss and LAE claims for the medical lines of business, these reserves were predominantly estimated based strictly on the incurred-to-paid loss development method (completion factor approach). Under the completion factor method, the historical development of incurred-to-paid lags is tracked to establish average lag times and project ultimate losses. This procedure is done by incurral month and by line of business.

The Company uses an approximation to split the total loss and LAE reserve into two components. The LAE reserves are assumed to equal 5% of their respective total loss reserves.

Disability

For the minor disability coverages, loss reserves and contract reserves were developed via conservative expected loss ratio approach and one-year full preliminary term basis, respectively. As at year-end no existing disability claims are known.

Term Life

For the term life coverages, these are newly written policies and no existing claims are known. Life reserves were based on the 2001 CSO ALB mortality table valuated at 3.5%.

32. CAPITAL

The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for its shareholder and benefits for other stakeholders and;
- To provide an adequate return to its shareholder by investing in securities that provide an acceptable return commensurately with the level of risk.

32. CAPITAL (cont)

In order to maintain the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or obtain funds from the shareholder.

The ICB has prescribed a minimum capital requirement of $2,000,000 for domestic insurance companies offering long term insurance policies. The Company considers its share capital, preference shares, contributed surplus to be its capital.

Additionally, the ICB has prescribed that there should be sufficient admissible assets to meet the minimum margin of solvency requirement of $2,000,000 plus 20% of gross written premiums. Admissible assets, which exclude any balance due from affiliated entities, are discounted based on rates prescribed in the Insurance (General) Regulations 2010.

During the year, the Company is considered compliance with the minimum capital and solvency requirements of the ICB.

33. IFRS TO GAAP RECONCILIATION

A reconciliation of net income, capital and contributed surplus per International Financial Reporting Standards (IFRS) to translate to US Generally Accepted Accounting Principles (GAAP) is as follows:

	2018		2017	
	Net income	Equity	Net income	Equity
	$	$	$	$
Balances per IFRS	560,791	7,050,391	1,167,216	7,167,756
Adjustments	--	--	--	--
Balances per GAAP	$560,791	$7,050,391	$1,167,216	$7,167,756
	======	=======	=======	=======