

SOUTHEASTERN MUTUAL INSURANCE COMPANY
CONDENSED FINANCIAL STATEMENTS
DECEMBER 31, 2012



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INDEPENDENT AUDITORS' REPORT ON CONDENSED FINANCIAL STATEMENTS

To the Policyholders of Southeastern Mutual Insurance Company:

The accompanying summary financial statements, which comprise the condensed statement of financial position and condensed statements of changes in equity, comprehensive income, cash flows, and related notes, are derived from the audited financial statements of Southeastern Mutual Insurance Company for the year ended December 31, 2012. We expressed an unmodified audit opinion on those financial statements in our report dated February 21, 2013.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Southeastern Mutual Insurance Company.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements in accordance with Canadian generally accepted accounting principles.

Auditors' Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of Southeastern Mutual Insurance Company for the year ended December 31, 2012 are a fair summary of those financial statements, in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads "Stevenson + Partners".

Riverview, NB
February 21, 2013

Chartered Accountants

SOUTHEASTERN MUTUAL INSURANCE COMPANY

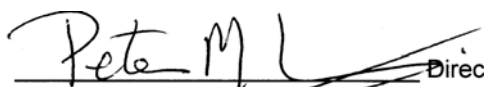
CONDENSED STATEMENT FINANCIAL POSITION

Statement 1

DECEMBER 31, 2012

| | 2012 | 2011 |
|--|----------------------------|----------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 661,498 | \$ 224,661 |
| Accrued investment interest | 37,349 | 63,790 |
| Premiums receivable | 1,232,303 | 1,127,645 |
| Income taxes recoverable | - | 32,072 |
| Reinsurance receivable | 224,958 | 303,741 |
| Deferred premium acquisition costs | 613,338 | 606,581 |
| Investments | 14,777,620 | 13,996,303 |
| Property, equipment, investment property and intangible assets | <u>799,622</u> | <u>740,969</u> |
| | <u>\$18,346,688</u> | <u>\$17,095,762</u> |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 441,631 | \$ 386,741 |
| Reserve for policy claims and liabilities | 688,250 | 1,025,174 |
| Income taxes payable | 87,719 | - |
| Unearned premiums | 3,439,899 | 3,197,934 |
| Agents' future retirement compensation | <u>91,928</u> | <u>109,374</u> |
| | <u>4,749,427</u> | <u>4,719,223</u> |
| EQUITY | | |
| General Reserve - Statement 2 | 13,496,457 | 12,297,441 |
| Accumulated other comprehensive income - Statement 2 | <u>100,804</u> | <u>79,098</u> |
| | <u>13,597,261</u> | <u>12,376,539</u> |
| | <u>\$18,346,688</u> | <u>\$17,095,762</u> |

APPROVED ON BEHALF OF THE BOARD:

 Director

 Director



SOUTHEASTERN MUTUAL INSURANCE COMPANY**CONDENSED STATEMENT OF EQUITY**

Statement 2

FOR THE YEAR ENDED DECEMBER 31, 2012

| | 2012 | 2011 |
|--|----------------------------|----------------------------|
| General Reserve | | |
| General Reserve, beginning of year | \$12,297,441 | \$12,144,297 |
| Net income for the year | <u>1,199,016</u> | <u>153,144</u> |
| General Reserve, end of year - Statement 1 | <u>\$13,496,457</u> | <u>\$12,297,441</u> |
| Accumulated other comprehensive income (loss) | | |
| Accumulated other comprehensive income, beginning of year | \$ 79,098 | \$ 157,945 |
| Total other comprehensive income (loss) - Statement 3 | <u>21,706</u> | <u>(78,847)</u> |
| Accumulated other comprehensive income, end of year - Statement 1 | <u>\$ 100,804</u> | <u>\$ 79,098</u> |



SOUTHEASTERN MUTUAL INSURANCE COMPANY**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

Statement 3

FOR THE YEAR ENDED DECEMBER 31, 2012

| | 2012 | 2011 |
|--|----------------------------|-------------------------|
| Income | | |
| Premiums written | \$ 6,446,046 | \$ 6,137,268 |
| Less: Premiums ceded/quota share recovery | 87,384 | (224,608) |
| Reinsurance premiums | (1,184,101) | (1,128,645) |
| Change in unearned premiums | <u>(241,965)</u> | <u>(112,193)</u> |
| Net premiums earned | <u>5,107,364</u> | <u>4,671,822</u> |
| Expenses | | |
| Net claims incurred | 2,085,288 | 2,351,250 |
| Premium acquisition expenses | 1,225,158 | 1,141,532 |
| Operating expenses | <u>1,639,497</u> | <u>1,464,464</u> |
| Claims, acquisition and other operating expenses | <u>4,949,943</u> | <u>4,957,246</u> |
| Underwriting income (loss) | <u>157,421</u> | <u>(285,424)</u> |
| Investment and other items | | |
| Equity income from associate | 609,487 | 294,788 |
| Investment income | 106,082 | 382,745 |
| Fair value adjustment for held-for-trading financial instruments | <u>428,026</u> | <u>(276,965)</u> |
| | <u>1,143,595</u> | <u>400,568</u> |
| Income before income taxes | 1,301,016 | 115,144 |
| Recovery of (provision for) income taxes | <u>(102,000)</u> | <u>38,000</u> |
| Net income for the year | 1,199,016 | 153,144 |
| Other comprehensive income (loss): | | |
| Share of other comprehensive income (loss) from associate | <u>21,706</u> | <u>(78,847)</u> |
| Comprehensive income | <u>\$ 1,220,722</u> | <u>\$ 74,297</u> |



SOUTHEASTERN MUTUAL INSURANCE COMPANY**CONDENSED STATEMENT OF CASH FLOWS**

Statement 4

FOR THE YEAR ENDED DECEMBER 31, 2012

| | 2012 | 2011 |
|---|--------------------------|--------------------------|
| Cash flows from operating activities: | | |
| Net income for the year - Statement 2 | \$ 1,199,016 | \$ 153,144 |
| Items not requiring an outlay of cash | (616,876) | 194,514 |
| Changes in non-cash working capital balances | <u>56,085</u> | <u>(172,413)</u> |
| Cash flows from operating activities | <u>638,225</u> | <u>175,245</u> |
| Cash flows from investing activities: | | |
| Additions to property, equipment, investment property and intangible assets | (185,071) | (71,187) |
| Proceeds on disposal of property and equipment | 10,620 | - |
| Investments matured/sold | 3,679,586 | 1,561,766 |
| Purchase of investments | (3,633,436) | (2,176,232) |
| Reinvested dividends | <u>(73,087)</u> | <u>(73,519)</u> |
| Cash flows used for investing activities | <u>(201,388)</u> | <u>(759,172)</u> |
| Increase (decrease) in cash and cash equivalents | 436,837 | (583,927) |
| Cash and cash equivalents, beginning of year | <u>224,661</u> | <u>808,588</u> |
| Cash and cash equivalents, end of year - Statement 1 | <u>\$ 661,498</u> | <u>\$ 224,661</u> |

The company follows International Financial Reporting Standards (IFRS) in preparing its complete financial statements. Readers are cautioned that these condensed statements may not be appropriate for their purposes as they do not contain all the disclosures required by International Financial Reporting Standards. For more information on the entity's financial position, changes in equity, results of operations and cash flows, reference should be made to the related complete financial statements.

Detailed financial statements and summary of significant accounting policies and explanatory information are available upon request from:

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378 Coverdale Road
Riverview, New Brunswick
E4E 2M3
or
www.semutual.nb.ca

