

**SOUTHEASTERN MUTUAL INSURANCE
COMPANY**

CONDENSED FINANCIAL STATEMENTS

DECEMBER 31, 2013



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CONDENSED FINANCIAL STATEMENTS

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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, 2013. We expressed an unmodified audit opinion on those financial statements in our report dated February 20, 2014.

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, 2013 are a fair summary of those financial statements, in accordance with International Financial Reporting Standards.

A handwritten signature in cursive script that reads "Stevenson + Partners".

Riverview, NB
February 20, 2014

Chartered Accountants

CONDENSED STATEMENT FINANCIAL POSITION
DECEMBER 31, 2013

Statement 1

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 800,321	\$ 661,498
Accrued investment interest	45,144	37,349
Premiums receivable	1,325,045	1,232,303
Reinsurance receivable	125,826	224,958
Deferred premium acquisition costs	620,291	613,338
Investments	11,393,440	10,463,512
Property, equipment, investment property and intangible assets	771,951	799,622
Investment in associate	<u>4,208,337</u>	<u>4,264,527</u>
	<u>\$19,290,355</u>	<u>\$18,297,107</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 462,969	\$ 441,631
Reserve for policy claims and liabilities	680,477	688,250
Income taxes payable	188,432	87,719
Unearned premiums	3,558,704	3,439,899
Agents' future retirement compensation	<u>96,226</u>	<u>91,928</u>
	<u>4,986,808</u>	<u>4,749,427</u>
EQUITY		
General Reserve - Statement 2	14,150,934	13,446,876
Accumulated other comprehensive income - Statement 2	<u>152,614</u>	<u>100,804</u>
	<u>14,303,548</u>	<u>13,547,680</u>
	<u>\$19,290,356</u>	<u>\$18,297,107</u>

APPROVED ON BEHALF OF THE BOARD:

Donald Howe - Chairmain

Jack Low – Chair of Audit Finance Committee

SOUTHEASTERN MUTUAL INSURANCE COMPANY
CONDENSED STATEMENT OF EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013

Statement 2

	2013	2012
General Reserve		
General reserve, beginning of year, as previously stated	\$13,496,458	\$12,297,441
Prior period adjustment	<u>(49,582)</u>	<u>(49,511)</u>
General Reserve, beginning of year, as restated	13,446,876	12,247,930
Net income for the year	<u>704,058</u>	<u>1,198,946</u>
General Reserve, end of year - Statement 1	<u>\$14,150,934</u>	<u>\$13,446,876</u>
Accumulated other comprehensive income		
Accumulated other comprehensive income, beginning of year	\$ 100,804	\$ 79,098
Total other comprehensive income - Statement 3	<u>51,810</u>	<u>21,706</u>
Accumulated other comprehensive income, end of year - Statement 1	<u>\$ 152,614</u>	<u>\$ 100,804</u>



SOUTHEASTERN MUTUAL INSURANCE COMPANY
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013

Statement 3

	2013	2012
Income		
Premiums written	\$ 6,674,741	\$ 6,446,046
Less: Premiums ceded/quota share recovery	-	87,384
Reinsurance premiums	(1,179,741)	(1,184,101)
Change in unearned premiums	<u>(118,805)</u>	<u>(241,965)</u>
Net premiums earned	<u>5,376,195</u>	<u>5,107,364</u>
Service charge revenue	<u>96,556</u>	<u>86,744</u>
Net underwriting revenue	<u>5,472,751</u>	<u>5,194,108</u>
Expenses		
Net claims incurred	2,151,830	2,085,288
Premium acquisition expenses	1,267,478	1,225,158
Operating expenses	<u>1,880,537</u>	<u>1,645,497</u>
Claims, acquisition and other operating expenses	<u>5,299,845</u>	<u>4,955,943</u>
Underwriting income	<u>172,906</u>	<u>238,165</u>
Investment and other items		
Equity income (loss) from associate	(108,000)	609,417
Investment income	413,584	25,338
Fair value adjustment for held-for-trading financial instruments	<u>430,568</u>	<u>428,026</u>
	<u>736,152</u>	<u>1,062,781</u>
Income before income taxes	909,058	1,300,946
Provision for income taxes	<u>(205,000)</u>	<u>(102,000)</u>
Net income for the year	704,058	1,198,946
Other comprehensive income:		
Share of other comprehensive income from associate	<u>51,810</u>	<u>21,706</u>
Comprehensive income	<u>\$ 755,868</u>	<u>\$ 1,220,652</u>



SOUTHEASTERN MUTUAL INSURANCE COMPANY

CONDENSED STATEMENT OF CASH FLOWS

Statement 4

FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
Cash flows from operating activities:		
Net income for the year - Statement 2	\$ 704,058	\$ 1,198,946
Items not requiring an outlay of cash	(301,983)	(616,806)
Changes in non-cash working capital balances	<u>229,022</u>	<u>56,086</u>
Cash flows from operating activities	<u>631,097</u>	<u>638,226</u>
Cash flows from investing activities:		
Additions to property, equipment, investment property and intangible assets	(73,588)	(185,072)
Proceeds on disposal of property and equipment	315	10,620
Investments matured/sold	2,303,169	3,539,607
Purchase of investments	(2,639,395)	(3,493,457)
Reinvested dividends	<u>(82,775)</u>	<u>(73,087)</u>
Cash flows used for investing activities	<u>(492,274)</u>	<u>(201,389)</u>
Increase in cash and cash equivalents	138,823	436,837
Cash and cash equivalents, beginning of year	<u>661,498</u>	<u>224,661</u>
Cash and cash equivalents, end of year - Statement 1	<u>\$ 800,321</u>	<u>\$ 661,498</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:

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

