



## **Mission Statement**

**We shall deliver excellent service and superior products to our customers, remaining focused on their needs and striving for continuous improvement through communication and technology.**

**We will unite and operate our business through the shared values of trust, tolerance and openness.**

**Our employees shall be known and respected within the industry for their expertise, commitment and professional integrity.**



The Beacon Cycling Festival



Christopher Sellier,  
Team Beacon



Emile Abraham taking the win



The Beacon's C.E.  
Gerald Hadeed at the finish line



Kids at the starting line



The pack



Nail biter at the finish

## **Annual Report 30 June 2010**

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## Report of the Chief Executive - Gerald S. Hadeed



**Our financial position has strengthened significantly with shareholders' equity almost doubling to \$61.8M from \$31.7M in 2009 which included an issue of shares amounting to \$27M. Total assets increased by 14% to \$346M compared to \$303.4M in 2009.**

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In spite of what has been a challenging period, The Beacon is proud to report positive results for the 2009/2010 financial year. Gross Premium Income grew by \$10.6M while Net Insurance Premium Revenue and Net Income both saw double digit increases of 10% and 12% respectively. The modest increase of 3.4% in Profit Before Tax from \$4.5M was primarily due to a 26% rise in Commissions Paid, a Marine Cargo Loss Event that led to multiple claims and lastly a larger number of claims in the casualty and health lines.

Our financial position has strengthened significantly with shareholders' equity almost doubling to \$61.8M from \$31.7M in 2009 which included an issue of shares amounting to \$27M. Total assets increased by 14% to \$346M compared to \$303.4M in 2009.

### Internal Initiatives

We have continued to pursue our strategy of continuous improvement of internal processes, creating a distinctive customer experience and providing a state of the art technology platform to support these initiatives. During the past year we implemented our new business management software which has already resulted in speedier, more effective service delivery and this system will be rolled out in the overseas jurisdictions during the coming year. We

also commenced a significant customer service training initiative that involves the use of internal resources to design, build and deliver training interventions that are uniquely ours.

Electronic integration of our financial system with our core insurance applications has facilitated our Finance Department in meeting the international financial reporting standards and regional regulatory reporting and financial requirements.

### Legislation

The Insurance Bill is expected to be passed into legislation in early 2011. The present legislation has become woefully inadequate, having been introduced in 1964 and updated in 1980. Most of the territories in which we operate however, are much further advanced, having already introduced similar legislation many months ago. The Act will introduce risk based capital rules in line with international requirements and will include a stress testing regime that will provide management with a useful tool in determining capital requirements.

It is beyond doubt that this new legislation will lead to improvements in governance and risk management practices, placing additional duties and responsibilities on Boards of Directors, Auditors and



Chief Executive - Gerald S. Hadeed with Beacon Team riders Njisane Phillips and Christopher Sellier.

I would like to express my appreciation to our Customers, Chairman, Directors, Management, Staff, and Agents for staying the course and having faith that “The Beacon of Protection” will shine brightly and provide a sanctuary where risk and uncertainty are minimized.

Risk Management Officers. The overall effect will be to ensure that companies are managed in a productive and efficient manner.

The Beacon has been preparing for the introduction of this new legislation by actively structuring its asset and equity bases to meet the new capital adequacy requirements. Additionally, our Legal Director and Compliance Officer have developed a monitoring framework to ensure that we are fully compliant when the Act is introduced. Given the marked similarity in the Financial Services legislation in the region, the Compliance Department has developed policies and procedures that are applicable regionally, particularly in relation to the Anti-Money Laundering and Anti-Terrorism requirements.

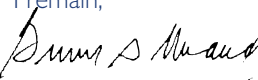
## Economic Outlook

While U.S. stocks enjoyed some revitalization in 2010, the US struggles to shake off the effects of the global financial crisis and their economy will remain sluggish into the next year due to high unemployment.

It is therefore unrealistic to expect any dramatic upswing in the economies of the Caribbean in the coming year and we anticipate that our region may contract even further as the European Union countries continue to seek bailouts, reduce recurrent expenditure and impose additional tax measures on the population.

The Beacon is however on course to realise its growth and net profit projections for the next financial year and, with our team of dedicated and customer focused employees who are committed to moving our customer experience beyond its current level, we are confident of success.

I would like to express my appreciation to our Customers, Chairman, Directors, Management, Staff, and Agents for staying the course and having faith that “The Beacon of Protection” will shine brightly and provide a sanctuary where risk and uncertainty are minimized.

I remain,  
  
Yours in Service

**Gerald S. Hadeed**

## Corporate Information

### Directors



**Franklin de Nobriga:** Chairman

Mr. de Nobriga brings to The Beacon Insurance Company Limited over 35 years experience in the Insurance Industry in the Caribbean from both the brokerage and company sides of the business. He started his career in insurance in 1969 with Insurance Brokers (West Indies) Ltd as a Risk Surveyor. He later joined the American Foreign Insurance Association (AFIA) and served as Underwriting and Claims Manager for the Home Insurance

Company in Trinidad. In 1973, Neal & Massy Holdings Ltd. together with Angostura Ltd., acquired majority interest in that company and a new entity - Caribbean Home Insurance Company was formed where he assumed the post of Assistant General Manager.

In 1979, Mr. de Nobriga was commissioned by Neal & Massy to form a wholly owned subsidiary - Risk Management Services Ltd. Under his leadership, the company later expanded its operations to encompass reinsurance, broking and employee benefits.

In 1999, Mr. de Nobriga was recalled to Caribbean Home as Managing Director where he served until retirement in 2002. He is a past President of the Association of Insurance Brokers of Trinidad & Tobago and former member of the Board of Governors of the Trinidad & Tobago Insurance Institute.



**Gerald S. Hadeed:** Chief Executive

Gerald S Hadeed who heads The Beacon Insurance Company Limited is a leading Trinidad and Tobago businessman. The Beacon has a Caribbean-wide presence with branches and/or agents in Barbados, Grenada, St. Lucia, Dominica, St. Vincent, St. Kitts and Suriname.

Mr. Hadeed has also been involved in the development of many petrochemical initiatives in Trinidad and Tobago. Over the past 20 years he has acted as a local

consultant and representative to several major oil and gas companies and specialist energy industry companies. He is a past Director of the National Gas Company (government owned) where he chaired the business development sub-committee of the Board of Directors for several years. Mr. Hadeed is also a past Director of the government supported and initiated Unit Trust Corporation of Trinidad and Tobago ( the country's largest Mutual Fund provider with over US\$5.5 billion in assets under management).



**Patricia R. Bryan:** Executive Director

Patricia R. Bryan has been a Director at The Beacon Insurance Company Limited from its inception in 1996. Prior to being appointed a Director of The Beacon, she was also a director at Beacon Holdings Limited, Northwest Premium Finance Limited, The Beacon Asset Management Limited, Beacon Finance Limited and Beacon Technology Limited.

Mrs. Bryan's background in Motor Insurance, Management and Leadership began as far back as 1980 with Caribbean Insurance Company Limited and this wealth of experience has afforded her the ability to function effectively on the above-mentioned boards. She also serves as a member of the Group's Audit and Investment Committee.

Prior to entering the insurance industry, Mrs. Bryan was employed in the commercial banking sector with the Bank of Nova Scotia in Trinidad, Grenada and the Bahamas. She also worked with the Roy West Banking Group of Companies in the Bahamas.



**Christian Hadeed:**

Executive Director

Mr. Christian Hadeed was appointed to the Board of Directors of The Beacon Insurance Company Limited in August 2010. Christian joined the company in 2005 as a Claims Executive and currently holds the position of Senior Operations Executive. Mr. Hadeed is a Director of both Stanmore Properties Limited and CGH Limited, a company involved in property development,

sales and rentals.

Mr. Hadeed holds a B.Sc. in Business Administration from Chapman University in California. He has also attended several insurance, management and leadership training courses during his business life including a Diploma in Motor Insurance Claims - Investigating and Adjusting and is a Certified Loss Adjustor for Motor Insurance. As a member of the Claims Litigation Committee and Executive Management Team, Mr. Hadeed is a key contributor to the development of The Beacon's strategic and operational plans.

## Corporate Information (continued)

### Directors (continued)



**Richard M. Lewis:** Director

Richard Lewis was appointed to the Board of Directors of The Beacon Insurance Company Limited in 1996. Mr. Lewis received his HBA in 1974 from the Richard Ivey School of Business, University of Western Ontario. He is currently General Manager/Director of Label House Group Limited, the leading brand identity and packaging solutions company in the Caribbean.

He is also a board member of Republic Bank Limited, Fincor, Republic Securities Limited, Ceramic Trinidad Limited, and Prestige Business Publications Limited, publisher of "Who's Who in Trinidad & Tobago Business" magazine. He is a past president of the Trinidad & Tobago Manufacturers' Association.



**Lindsay Gonsalves:** Director, Finance

Lindsay Gonsalves was appointed to the Board of Directors of The Beacon Insurance Company Limited in July 2006. He has been with the Beacon Group of Companies now for well over 10 years and is also a Director of Health Care Technologies Limited, Beacon Asset Management and Secure Plus Limited.

In 1995, Lindsay who worked as a Financial Consultant to the Caribbean Insurance Company Limited was appointed as its

Financial Controller. Consequently, he was instrumental in guiding Caribbean Insurance in its transition to The Beacon Insurance Company in 1996.

Mr. Gonsalves holds an ACCA designation and is currently a fellow member of the ACCA of England and Wales and a member in practice of the Institute of Chartered Accountants of Trinidad and Tobago.



**Roger Hamel-Smith:**

Director, Legal Services

Roger Hamel-Smith was appointed to the Board of Directors of The Beacon Insurance Company Limited in 2009. He has had a distinguished legal career spanning over 40 years and has served as the Chief Justice of Trinidad and Tobago on several occasions the longest being a period of fourteen months between July 2006 and December 2007.

Mr. Hamel Smith was the senior partner of M Hamel-Smith & Co before elevation to the Bench. Another major milestone in his career was his appointment to be a Court of Appeal Judge only three years after being admitted to the Bench.

Mr. Hamel Smith was admitted as a solicitor to the Supreme Court in 1969 and a solicitor in the United Kingdom in 1980. He has participated in several high level legal training courses and seminars throughout the world. He has also tutored at the Sir Hugh Wooding Law School in Civil Practice and Procedure.

### Executive Management

<b>Lindsay Gonsalves</b>	Director, Finance
<b>Adlyne Griffith</b>	VP Corporate Services
<b>Brian Hennis</b>	VP Overseas Operations (Jan 2011)
<b>Christian Hadeed</b>	Senior Operations Executive
<b>Christopher Woodhams</b>	VP Information Systems
<b>Derek Kanhai</b>	VP Technical Operations
<b>Gordon Gatt</b>	VP Group Services
<b>Richard Isava</b>	VP Life & Health
<b>Renato Lezama</b>	VP Trinidad Operations

### Regional Management

<b>Andy Joseph</b>	Dominica
<b>Gary De Silva</b>	St. Kitts
<b>Joralia St. Louis</b>	St. Lucia
<b>Judy Elliot</b>	Barbados
<b>Molly Roberts</b>	Grenada
<b>Royron Adams</b>	St. Vincent

### Corporate Secretary

**David Gonzalez**

### Consultant

**Bertrand H Doyle HBM,ACII,ACI Arb**

## Corporate Information (continued)

### Head Office

13 Stanmore Avenue, PO Box 837  
Port Of Spain  
Trinidad  
TEL: 868.6-BEACON(623-2266)  
Fax: 868.623.9900  
Email: info@beacon.co.tt

### Branches

#### Arima, Trinidad

Shops of Arima,  
51-57 Tumpuna Road,  
Arima.  
Tel: 868-643-6364  
Fax: 868-643- 1728  
Email: arima@beacon.co.tt

#### Barbados

Beacon House  
White Park Road  
St. Michael, Barbados  
Tel: 246.436.6200, 436.5001/2/3  
Fax: 246.436.9587  
Email: barbados@beacon.co.tt

#### Chaguanas, Trinidad

Frist Floor, Mid-Centre Mall  
Southern Main Road  
Chaguanas, Trinidad  
Tel: 868.665.3097  
Fax: 868.665.3770  
Email: chaguanas@beacon.co.tt

#### Grenada

Maurice Bishop Highway  
Calliste,  
St. George's, Grenada  
Tel: 473.440.4447/6889  
Fax: 473.440.4168  
Email: grenada@beacon.co.tt

#### San Fernando, Trinidad

60 Independence Avenue  
San Fernando, Trinidad  
Tel: 868.652.3832/1353  
Fax: 868.652.4279  
Email: sanfernando@beacon.co.tt

#### St. Lucia

PO Box CP5702  
Orange Park Commercial Centre  
Bois D'Orange, Gros Islet, St. Lucia  
Tel: 758.452.8334/758.458.0092  
Fax: 758.452.9492  
Email: stlucia@beacon.co.tt

### Tobago

Suite 207, Edoos Buidling  
98 Norman Drive, Birchwood Triangle  
Lowlands, Tobago  
Tel: 868.639.2935/0779  
Fax: 868.639.0779  
Email: tobago@beacon.co.tt

### Agencies

#### Commonwealth of Dominica

ARCHIPELAGO TRADING LIMITED  
Leopold House  
Dame Eugenia Charles Boulevard  
PO Box 21, Roseau, Commonwealth of  
Dominica  
Tel: 767.448.5247/0009  
Fax: 767.448.5338  
Email: mailto:archipelago@cwdon.dm

#### Sangre Grande, Trinidad

NARE INSURANCE AGENCIES LTD  
Eastern Main Road  
Sangre Grande, Trinidad  
Tel: 868.668.0316/668.3593  
Fax: 868.663.3593  
Email: sangreggrande@beacon.co.tt

#### St. Kitts & Nevis

EDEN SERVICES (St. Kitts & Nevis)  
LIMITED  
2nd Floor Building 29  
Port Zante, Basseterre  
PO Box 2088, St. Kitts & Nevis  
Tel: 869.466.5744  
Fax: 869.465.7509  
Email: skn@beacon.co.tt

#### St. Vincent & the Grenadines

BMC AGENCIES LIMITED  
Sharpe Street,  
Kingstown, St. Vincent  
Tel: 784.457.1066  
Fax: 784.457.2103  
Email: stvincent@beacon.co.tt

#### Tunapuna, Trinidad

NARE INSURANCE AGENCIES LTD  
Eastern Main Road,  
Tunapuna, Trinidad  
Tel/Fax: 868.663.9043  
Email: tunapuna@beacon.co.tt

### Bankers

#### Barbados

First Caribbean International Bank  
(Barbados) Ltd.  
Barbados National Bank Inc.

#### Commonwealth of Dominica

National Comercial Bank of Dominica  
Royal Bank of Canada  
Banque Francaise Commerciale

#### Grenada

Republic Bank (Grenada) Ltd.  
RBTT Bank Grenada Ltd.

#### St Lucia

RBTT Bank Caribbean Ltd.

#### St. Vincent

National Commercial Bank  
(SVG) Ltd.

#### Trinidad & Tobago

Republic Bank Ltd.  
RBTT Bank Ltd.  
First Citizens Bank Ltd.

### Auditor

PricewaterhouseCoopers

### Attorneys-At-Law

Elliot D. Mottley & Co.  
Fitzwilliam, Stone & Alcazar  
Gerald Burton Chambers  
Grant, Joseph & Company.  
J.D. Sellier & Company.  
Joseph A Delves  
Karl T Hudson-Phillips, QC.  
Lorraine D Jolie  
Pollonais Blanc de la Bastide & Jacelon

### Reinsurers

Hannover Ruckversicherungs Aktien  
Gesellschaft  
Lloyds of London  
Munchener Ruckversicherungs Gesellschaft  
Swiss Re Insurance Company

### Reinsurance Brokers

Aon Benfield



The Beacon Cycling Festival - Cultural Show



Cultural Show



Cultural Show



Divali celebration at Beacon



Defenders at work



The Experience Football Tournament



Lining up the shot



The Beacon National Gymnastics Invitational



Gymnastics Awardees



St Lucia Pine Walk



St Lucia Pine Walk



The Beacon Fishing Tournament



Ascertaining the catch



The Beacon Fishing Tournament Prize Giving



The Beacon World Cook Cup



New Chaguanas Office



Employees of The Beacon enjoying an office lime



Work hard, play hard at The Beacon

## **Consolidated Financial Statements 30 June 2010**

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## Independent auditor's report

### To the shareholders of The Beacon Insurance Company Limited

#### Report on the financial statements

We have audited the accompanying consolidated financial statements of The Beacon Insurance Company Limited and its subsidiary, which comprise the consolidated statement of financial position as of 30 June 2010 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

#### Management's responsibility for the financial statements

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor's responsibility

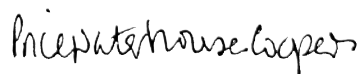
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 30 June 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



**PricewaterhouseCoopers**

Port of Spain

Trinidad, West Indies

20 December 2010

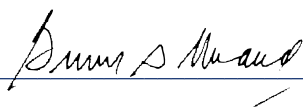
## Consolidated Statement of Financial Position

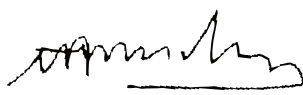
(Expressed in Trinidad and Tobago Dollars)

	Notes	As at 30 June	
		2010	2009
		\$	\$
<b>ASSETS</b>			
Property, plant and equipment	5	34,712,907	21,181,181
Prepaid lease rentals	6	22,255,750	--
Retirement benefit asset	7	1,479,540	1,485,607
Investment in associate company	8	--	1,034,883
Financial assets - available-for-sale	9	10,776,582	15,689,353
- loans and receivables	10	50,444,973	40,608,439
Reinsurance assets	11	109,468,152	122,010,136
Deferred income tax assets	12	2,701,590	2,318,176
Other assets		1,547,274	2,209,410
Taxation recoverable		2,054,331	2,007,759
Short term deposits	13	89,326,162	75,538,861
Cash and cash equivalents – cash in hand and in bank		<u>21,268,497</u>	<u>19,285,348</u>
<b>Total Assets</b>		<b><u>346,035,758</u></b>	<b><u>303,369,153</u></b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	14	39,000,000	10,000,000
Statutory reserve	15	9,030,351	9,030,351
Retained earnings		13,009,292	12,409,948
Fair value reserve		<u>738,232</u>	<u>248,186</u>
<b>Total Shareholders' Equity</b>		<b><u>61,777,875</u></b>	<b><u>31,688,485</u></b>
<b>LIABILITIES</b>			
Insurance contracts	16	242,290,780	239,648,809
Financial liabilities-Bank overdraft		--	2,581
Reinsurance payable		25,496,979	14,455,535
Trade and other payables		12,957,803	13,724,285
Deferred income tax liabilities	12	1,525,344	1,121,956
Taxation payable		<u>1,986,977</u>	<u>2,727,502</u>
<b>Total Liabilities</b>		<b><u>284,257,883</u></b>	<b><u>271,680,668</u></b>
<b>Total Equity and Liabilities</b>		<b><u>346,035,758</u></b>	<b><u>303,369,153</u></b>

The notes on pages 18 to 66 form an integral part of these consolidated financial statements.

On 17th December, 2010, The Beacon Insurance Company Limited's Board of Directors authorised these consolidated financial statements for issue.

Director: 

Director: 

## Consolidated Statement of Comprehensive Income

(Expressed in Trinidad and Tobago Dollars)

	Notes	Year Ended 30 June	
		2010	2009
		\$	\$
Insurance premium revenue		248,160,893	237,574,736
Insurance premium ceded to reinsurers		(129,253,059)	(131,989,105)
Net premium written		118,907,834	105,585,631
Change in gross unearned premium reserves		7,007,937	(2,909,113)
Change in unearned premium reserves due to reinsurers		(16,189,082)	(3,114,573)
<b>Net insurance premium revenue</b>		109,726,689	99,561,945
Investment income		4,847,171	5,896,059
Commissions received on reinsurance contracts		29,232,037	23,804,341
Net realized losses on financial assets	17	(123,955)	(1,801,705)
Loss on disposal of investment in associate		(1,866,132)	--
Foreign exchange gains		989,681	384,550
<b>Net income</b>		142,805,491	127,845,190
Insurance benefits		(773,310)	(716,379)
Insurance benefits recovered from reinsurers		275,707	--
Insurance claims and loss adjustment expenses	18	(72,499,414)	(61,943,637)
Insurance claims and loss adjustment expenses recovered from reinsurers	18	17,394,212	14,234,137
Net insurance benefits and claims		(55,602,805)	(48,425,879)
Expenses for the acquisition of insurance contracts		(28,235,914)	(22,352,829)
Other operating and administration expenses	19	(53,752,892)	(51,189,916)
<b>Expenses</b>		(137,591,611)	(121,968,624)
<b>Operating Profit</b>		5,213,880	5,876,566
Share of loss of associate	8	--	(1,031,193)
Finance costs		(609,813)	(392,503)
<b>Profit before tax</b>		4,604,067	4,452,870
Taxation	20	(2,004,723)	(1,160,046)
<b>Profit for the year attributable to the parent company shareholders</b>		2,599,344	3,292,824
<b>Other Comprehensive Income:</b>			
Change in fair value on available-for-sale financial assets		490,046	(2,432,725)
Other comprehensive income for the year, net of tax		490,046	(2,432,725)
<b>Total comprehensive income for the year attributable to the parent company shareholders</b>		<b>3,089,390</b>	<b>860,099</b>

The notes on pages 18 to 66 form an integral part of these consolidated financial statements.

## Consolidated Statement of Changes in Equity

(Expressed in Trinidad and Tobago Dollars)

	Notes	Share Capital \$	Statutory Reserve \$	Fair Value Reserve \$	Retained Earnings \$	Total \$
<b>Year Ended 30 June 2010</b>						
Balance at 1 July 2009		10,000,000	9,030,351	248,186	12,409,948	31,688,485
<b>Total comprehensive income for the year:</b>						
Profit for the year		--	--	--	2,599,344	2,599,344
<b>Other comprehensive income:</b>						
Fair value gains transferred to income on disposal of available-for-sale financial assets		--	--	(14,675)	--	(14,675)
Net change in fair value on available-for-sale financial assets, net of tax		--	--	504,721	--	504,721
Transfer to statutory reserve	15	--	--	--	--	--
<b>Total other comprehensive income</b>		--	--	490,046	--	490,046
<b>Transactions with owners:</b>						
Contributed capital	14	27,000,000	--	--	--	27,000,000
Transfer from retained earnings	14	2,000,000	--	--	(2,000,000)	--
<b>Balance at 30 June 2010</b>		<b>39,000,000</b>	<b>9,030,351</b>	<b>738,232</b>	<b>13,009,292</b>	<b>61,777,875</b>
<b>Year Ended 30 June 2009</b>						
Balance at 1 July 2008		10,000,000	9,010,305	2,680,911	14,137,170	35,828,386
<b>Total comprehensive income for the year:</b>						
Profit for the year		--	--	--	3,292,824	3,292,824
<b>Other comprehensive income:</b>						
Fair value losses transferred to income on disposal of available-for-sale financial assets		--	--	68,301	--	68,301
Net change in fair value on available- for-sale financial assets		--	--	(2,501,026)	--	(2,501,026)
Transfer to statutory reserve	15	--	20,046	--	(20,046)	--
<b>Total other comprehensive income</b>		--	20,046	(2,432,725)	(20,046)	(2,432,725)
<b>Transactions with owners:</b>						
Dividends		--	--	--	(5,000,000)	(5,000,000)
<b>Balance at 30 June 2009</b>		<b>10,000,000</b>	<b>9,030,351</b>	<b>248,186</b>	<b>12,409,948</b>	<b>31,688,485</b>

The notes on pages 18 to 66 form an integral part of these consolidated financial statements.

## Consolidated Statement of Cash Flows

(Expressed in Trinidad and Tobago Dollars)

	Year Ended 30 June	
	2010	2009
	\$	\$
<b>Operating Activities</b>		
Profit before taxation	4,604,067	4,452,870
<b>Adjustment For</b>		
Depreciation	3,428,293	2,302,056
Change in retirement benefit asset	6,067	(204,594)
Loss/(gain) on disposal of property, plant and equipment	25,613	(1,233)
Dividend income	(210,994)	(155,978)
Interest income	(4,890,110)	(6,291,442)
Interest expense	609,814	392,503
Impairment loss recognised	447,808	1,143,657
Share of loss of associate	--	1,031,193
Loss on disposal of investment in associate	1,866,132	--
Foreign exchange gains	(989,681)	(384,550)
Loss on disposal of financial assets	123,955	1,801,705
	<u>5,020,964</u>	<u>4,086,187</u>
Net increase in loans and receivables	(10,047,735)	(594,848)
Net decrease in reinsurance assets	12,541,984	7,814,464
Net decrease / (increase) in other assets	1,084,975	(854,949)
Net (increase) / decrease in short term deposits	(13,787,301)	3,888,639
Net increase in insurance contracts	2,641,971	1,918,921
Net increase / (decrease) in reinsurance payable	12,031,124	(3,713,736)
Net (decrease) / increase in trade and other payables	(836,984)	5,690,803
Taxes paid	(2,935,192)	(4,331,877)
<b>Net Cash Flow from Operating Activities</b>	<u>5,713,806</u>	<u>13,903,604</u>
<b>Investing Activities</b>		
Purchase of property, plant and equipment	(12,410,409)	(13,451,394)
Proceeds from disposal of property, plant and equipment	169,027	1,600
Injection into investment in associate	(881,249)	(1,774,118)
Interest paid	(609,814)	(392,503)
Dividend received	210,994	155,978
Interest received	4,748,974	6,226,148
Proceeds from disposal of investment in associate company	50,000	--
Purchase of available-for-sale financial assets	(926,175)	(5,589,319)
Proceeds from disposal of available-for-sale financial assets	5,920,576	6,038,254
<b>Net Cash Flow From Investing Activities</b>	<u>(3,728,076)</u>	<u>(8,785,354)</u>
<b>Financing Activities</b>		
Dividends paid	--	(5,000,000)
<b>Net Cash Flow from Financing Activities</b>	<u>--</u>	<u>(5,000,000)</u>
<b>Increase in Cash and Cash Equivalents</b>	1,985,730	118,250
<b>Cash and Cash Equivalents</b>		
At start of year	<u>19,282,767</u>	<u>19,164,517</u>
<b>At end of year</b>	<u>21,268,497</u>	<u>19,282,767</u>
<b>Represented By:</b>		
Cash at bank and in hand	21,268,497	19,285,348
Bank overdraft	--	(2,581)
	<b>21,268,497</b>	<b>19,282,767</b>

The notes on pages 18 to 66 form an integral part of these consolidated financial statements.

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

### I General Information

The Beacon Insurance Company Limited ("the Company") and its subsidiary (together "the Group") are incorporated in the Republic of Trinidad and Tobago. The Company is engaged in the underwriting of all classes of general insurance business, annuities and term life insurance. Its registered office is located at 13 Stanmore Avenue, Port of Spain, Trinidad. The Company also operates branches and agencies in Barbados, Dominica, Grenada, St. Vincent and St. Lucia and St. Kitts and Nevis. During the year, the Company's parent company changed from Beacon Holdings Limited to CGH Limited. CGH Limited is also incorporated in the Republic of Trinidad and Tobago.

The Company has a 100% subsidiary, North West Premium Finance Limited ("the Subsidiary"), with registered office located at 13 Stanmore Avenue, Port of Spain, Trinidad. The Subsidiary is engaged in the provision of financing to policyholders for insurance premiums underwritten by the Trinidad and Tobago head office of The Beacon Insurance Company Limited.

### 2 Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of preparation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

(i) Standards, amendments and interpretations to existing standards applicable to the Group in the current year which were adopted by the Group.

The following standards, amendments and interpretation to existing standards are effective for accounting periods beginning on or after 1 January 2009 and were adopted by the Group in the current year:

- IAS 1 (Revised), Presentation of Financial Statements (effective from 1 January 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated statement of financial position as at the beginning comparative period in addition to the current requirement to present statement of financial positions at the end of the current and comparative period. The Group adopted IAS 1 (Revised) from 1 July 2009 and the necessary amendments were included in the consolidated financial statements.

- IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). This amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Group applied the IAS 1 (Amendment) from 1 July 2009, but it did not have a significant impact on the Group's consolidated financial statements.

- IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 July 2009). This amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group applied IAS 1 (Amendment) from 1 July 2009.

## Notes to the consolidated financial statements 30 June 2010 (Expressed in Trinidad and Tobago Dollars)

(continued)

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.1 Basis of preparation (continued)

(i) Standards, amendments and interpretations to existing standards applicable to the Group in the current year which were adopted by the Group (continued).

- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009). Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities. The amendment did not have a significant impact on the Group's operations because the Group's ordinary activities do not comprise renting and subsequently selling assets.

- IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009)

- This amendment clarified that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

- The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation

- The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

- IAS 37, 'Provisions, contingent liabilities and contingent assets, requires contingent liabilities to be disclosed, not recognized. IAS 19 has been amended to be consistent.

The Group applied the IAS 19 (Amendment) from 1 July 2009. This did not have a significant impact on the Group's consolidated financial statements.

-IAS 23 (Amendment), 'Borrowing Costs' (effective from 1 January 2009). This amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. This amendment did not have a significant impact on the Group's consolidated financial statements since it does not have any qualifying assets.

-IAS 27 (Revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss.

- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). Where an investment in an associate is accounted for in accordance with IAS 39 'Financial instruments: recognition and measurement', only certain rather than all disclosure requirements in IAS 28 has to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures'. This amendment did not have any impact on the Group's operations because the Group's policy is to account for an investment in an associate at cost in the consolidated financial statements.

- IAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009).

Where an investment in a joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 has to be made in addition to disclosures required by IAS 32, 'Financial instruments: Presentation', and IFRS 7 'Financial instruments: Disclosures'. This amendment did have any impact on the Group's operations as there are no interests held in joint ventures.

# Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.1 Basis of preparation (continued)

(i) Standards, amendments and interpretations to existing standards applicable to the Group in the current year which were adopted by the Group (continued).

- IAS 32 (Amendment), Financial Instruments: Presentation and IAS 1 (Amendment) 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). These amended standards require entities to classify puttable financial instruments and instruments or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group applied the IAS 32 and IAS 1 (Amendment) from 1 July 2009. These standards did not have any significant impact on the Group's consolidated financial statements.

- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group applied IAS 36 (Amendment) however this did not have a significant impact on the consolidated financial statements.

- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). A prepayment may only be recognized in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group applied the IAS 38 (Amendment) from 1 July 2009. It did not have a significant impact on the Group's consolidated financial statements.

- IAS 38 (Amendment), 'Intangible assets' (effective 1 July 2009). This amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment did not have a significant impact on the Group's consolidated financial statements.

- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement – Eligible hedged items' (effective 1 July 2009). This amendment provides guidance in two situations: on the designation of a one-sided risk in a hedged item,

IAS 39 concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. This amendment did not have a significant impact on the Group's consolidated financial statements.

- IAS 39 (Amendment), 'Financial Instruments: Recognition and measurement' (effective from 1 January 2009).

- This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in a cash flow or net investment hedge.

- The definition of a financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition.

- The amendment removes the example of a segment so that the guidance is consistent with IFRS 8, 'Operating segments', which requires disclosure for segments to be based on information reported to the chief operating decision-maker.

- When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) is used.

The Group applied the IAS 39 (Amendment) from 1 July 2009. It did not have a significant impact on the Group's consolidated financial statements for the period.

- IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2009). Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment did not have an impact on the Group's operations, as the Group currently does not hold any investment properties.

## Notes to the consolidated financial statements 30 June 2010 (Expressed in Trinidad and Tobago Dollars)

(continued)

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.1 Basis of preparation (continued)

(i) Standards, amendments and interpretations to existing standards applicable to the Group in the current year which were adopted by the Group (continued).

- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 July 2009.

- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The Group will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 July 2009.

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective 1 July 2009). This provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they

are available for distribution in their present condition and the distribution is highly probable. The Group applied IFRIC 17 from 1 July 2009. It did not have a significant impact on the Group's consolidated financial statements.

- IFRIC 18, 'Transfers of assets from customers', (effective 1 July 2009). It clarifies how to account for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. The interpretation also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use that item to provide the customer with ongoing access to supply of goods and/or services. IFRIC 18 did not have a significant impact on the Group's consolidated financial statements.

(ii) Standards, amendments and interpretations to existing standards effective in the current year but did not have an impact on the Group's consolidated financial statements

- IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009).

- IFRS 1 (Amendment) 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009).

- IFRS 2 (Amendment), Share based payments (effective from 1 January 2009).

- IFRS 8, Operating Segments (Effective from 1 January 2009).

- IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009).

- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009).

- IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009).

# Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.1 Basis of preparation (continued)

(iii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

- IAS 32 (Amendment), 'Classification of rights issues' (effective 1 February 2010). The amended standard allows rights issues to be classified as equity when the price is denominated in a currency other than the entity's functional currency. The amendment is effective for annual periods beginning on or after 1 February 2010 and should be applied retrospectively. The amendment is not expected to have a significant impact on the Group's consolidated financial statements.

- IFRIC 14 (Amendments), 'Prepayments of a minimum funding requirement' (effective 1 January 2011). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The Group will apply this amendment from 1 July 2011. This is not expected to have a significant impact on the Group's consolidated financial statements.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. (effective 1 July 2010). This clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The Group will apply this amendment from 1 July 2010.

### 2.2 Consolidation

#### (a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another

entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

#### (b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

## Notes to the consolidated financial statements 30 June 2010 (Expressed in Trinidad and Tobago Dollars)

(continued)

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.2 Consolidation (continued)

(b) Associates (continued).

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income; its share of post-acquisition movements in reserves is recognised in the consolidated statement of changes in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

Intragroup gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Intragroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Associates' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated statement of comprehensive income.

#### 2.3 Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Trinidad and Tobago dollars, which is the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Changes in the fair value of monetary securities denominated in a foreign currency classified as available-for-sale financial assets are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss; other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial instruments such as equities classified as available-for-sale financial assets are included in other comprehensive income.

#### 2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

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### 2 Summary of Significant Accounting Policies (Continued)

#### 2.3 Foreign currency translation (Continued)

Land is not depreciated. Depreciation on other assets is calculated to write off the cost of each asset to their residual values over their estimated useful life as follows:

	Method	Rate
Building	Straight line	2%
Furniture and fittings	Reducing balance	12 ½%
Office equipment	Reducing balance	20%
Motor vehicles	Reducing balance	25%
Computer equipment	Reducing balance	25%

Leasehold buildings are depreciated over the shorter of the lease term and the asset's useful economic life. The assets' residual values and useful lives are reviewed at each statement of financial position date and adjusted if appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining profits for the year.

# Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.5 Financial assets

The Group classifies its financial assets into the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this at every reporting date.

#### a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group has designated as available-for-sale. Loans and receivables are recognised initially at fair value and are subsequently carried at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to their original terms. (See Note 2.6 for the accounting policy on impairment). Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. (See Note 2.7 c) for receivables from insurance contracts)

#### b) Available-for-sale financial assets

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables.

Available-for-sale financial assets are initially recognised at fair value plus transactions cost that are directly attributable to their acquisition. These assets are also subsequently carried at fair value.

Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the consolidated statement of comprehensive income as net realised gains/losses on financial assets.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between transaction differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss while translation differences on non monetary securities are recognised in equity. Changes in the fair value of monetary and non monetary securities classified as available-for-sale are recognised in other comprehensive income.

Interest on available-for-sale financial assets, calculated using the effective interest method is recognized in the consolidated statement of comprehensive income. Dividends on the available-for-sale equity instruments are recognized in the consolidated statement of comprehensive income when the Group's right to receive payment is established. Both are included in the investment income line.

Purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the right to receive cash flows from them have expired or where they have been transferred and the Group has also transferred substantially all risk and rewards of ownership.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer broker, industry group, pricing services or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.6 Impairment of assets

##### a) Financial assets carried at fair value

The Group assesses at each statement of financial position date whether there is objective evidence that an available-for-sale financial asset is impaired, including in the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated statement of comprehensive income. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not subsequently reversed. The impairment loss is reversed through the consolidated statement of comprehensive income, if in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

##### b) Financial assets carried at amortised cost

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that the financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following events:

- i) significant financial difficulty of the issuer or debtor;
- ii) a breach of contract, such as a default or delinquency in payments;
- iii) it becoming probable that the issuer or debtor will enter bankruptcy or other financial re-organisation;
- iv) the disappearance of an active market for that financial asset because of financial difficulties; or
- v) observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of issuers or debtors in the group; or
  - national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss has been incurred on financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of comprehensive income. As a practical expedient, the Group may measure impairment on the basis of an asset's fair value using an observable market price.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the consolidated statement of comprehensive income.

## Notes to the consolidated financial statements 30 June 2010 (Expressed in Trinidad and Tobago Dollars)

(continued)

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.6 Impairment of assets (Continued)

##### c) Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

#### 2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

#### 2.8 Insurance contracts

The Group issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. The Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that is at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer significant risk with no insurance risk.

##### a) Recognition and measurement

The insurance contracts issued by the Group comprise short term and long term insurance contracts. Short

term contracts consist mainly of property and casualty insurance contracts. The long term insurance contracts mainly relate to term life assurance and annuity contracts.

##### *Property and casualty insurance contracts*

Casualty insurance contracts protect the Group's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employer's liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Motor Vehicle Insurance legislation makes provision for the protection of third parties against risks arising out of the use of motor vehicles. Motor insurance contracts indemnify the Group's clients against negligence in the event of an accident which causes property damage and/or personal injury to third parties. The policy provides for specified limits of liabilities in accordance with the legislation. The Group also issues comprehensive policies which cover "own damage" to the insured's property.

Property insurance contracts mainly compensate customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The proportion of premiums received on in-force contracts that relates to unexpired risks at the year end is reported as the unearned premiums liability. Premiums are shown before the deduction of commission.

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.8 Insurance contracts (continued)

##### a) Recognition and measurement (continued)

Provisions for unearned premiums represent the proportions of the premiums written in the year less reinsurances thereon which relate to periods of insurance subsequent to the year end and are computed using 100% of the 24ths method for all business except bonding and other classes where the period of risk exceeds one year. For bonding, the Group reserves 100% of premiums for the year until the expiry of the risk and, for other classes where the period of risk exceeds one year, premiums are amortized on the straight line basis.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties for bodily harm or property damage by the contract holders. They include direct and indirect settlement costs arising from events that have occurred up to the year end even if they have not yet been reported to the Group. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported. Legal opinion and precedent are used to estimate the expected ultimate cost of more complex claims involving litigation.

##### *Short term life insurance contracts*

These contracts are short-duration life insurance contracts which consist of group life and group credit life contracts that are issued against the consequences of death or disability. Group life contracts issued are annually renewable. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

Short-term life insurance premiums are accounted for in the consolidated statement of comprehensive income on the accruals basis. Premiums are shown before deduction of commission.

Benefits are recorded as an expense when they are incurred. Liabilities for incurred but not reported (IBNR) on group credit life policies are estimated as a percentage of the outstanding claims liability. This approximation is checked for reasonableness against the claims and expense experience.

Provisions for unearned premiums represent the proportions of short-term insurance premiums written in the year, which relates to periods of insurance subsequent to the statement of financial position date and is computed on a pro-rata basis.

##### *Long-term insurance contracts*

These contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when they are incurred. A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the benefit payments that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits based on the valuation assumptions used (the valuation premiums). The expected discounted value is based on assumptions as to mortality and future interest rates that are established at the statement of financial position date. Long term insurance contracts include the following:-

##### *Term life contracts*

These contracts are generally issued for fixed terms and provide payment of a known sum in the event of the death of the policyholder. The main risk is the premature death of the policyholder.

##### *Annuity contracts*

These are deferred annuity contracts. These contracts provide for payment of a regular income upon maturity of the contract.

## Notes to the consolidated financial statements 30 June 2010 (Expressed in Trinidad and Tobago Dollars)

(continued)

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.8 Insurance contracts (continued)

##### b) Liability adequacy test

At the year end, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to profit or loss by establishing a provision for losses arising from liability adequacy tests.

##### c) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the consolidated statement of comprehensive income. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for financial assets as described in Note 2.6.

##### d) Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance assets. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment annually. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the consolidated statement of comprehensive income. The Group gathers objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets as described in Note 2.6.

##### e) Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (i.e. salvage). The Group may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation). These are recorded when received.

#### 2.9 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.10 Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in equity. In this case, the tax is also recognised directly in equity. The current income tax charge is calculated on the basis of the tax laws enacted at the year end.

Deferred income tax is recognised, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference will be utilised.

The principal temporary differences arise from depreciation on property, plant and equipment, fair value gains on available-for-sale financial assets, unused tax losses, impairment provisions and the retirement benefit asset.

Corporation tax on short-term insurance business is charged at varying rates between 25% and 35% applicable on the respective profit for the year arising in each of the Caricom States.

#### 2.11 Employee benefits

The Group operates a defined benefit and a defined contribution plan for its Barbados and Trinidad operations respectively.

##### *Defined Benefit Plan*

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The assets of the defined benefit plan are held in a separate trustee-administered fund. The pension plan is funded by payments from employees and by the Group, taking account of the recommendations of independent qualified actuaries.

The liability recognised in the consolidated statement of financial position in respect of the defined benefit pension plan is the present value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

The pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the consolidated statement of comprehensive income so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out an independent valuation of the plan every year. A full valuation is done on the pension plan every three years. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. All actuarial gains and losses are spread forward over the average remaining service lives of employees.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

##### *Defined Contribution Plan*

A defined contribution plan is a pension plan under which the Group pays a fixed contribution. The Group's contributions are charged in the statement of comprehensive income for the year. The Group has no legal or constructive obligation 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 Group's contributions to these plans amount to 7.15% to 7.75% of the individuals' earnings. These are accounted for on the accruals basis.

## Notes to the consolidated financial statements 30 June 2010 (Expressed in Trinidad and Tobago Dollars)

(continued)

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.12 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses. When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the obligation.

#### 2.13 Revenue recognition

- (i) Premium income  
Revenue from premium income is recognised in accordance with Note 2.8.
- (ii) Commission income  
Commission income relates to commissions received on reinsurance contracts. This is calculated by a combination of a flat brokerage fee or a percentage of business ceded. These amounts are recognised on the accruals basis.
- (iii) Investment Income  
Investment income is recognised in the consolidated statement of comprehensive income using the effective interest method.
- (iv) Dividend income  
Dividend income from equities is recognised when the right to receive payment is established.

#### 2.14 Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Board of Directors.

#### 2.15 Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of comprehensive income on a straight line basis over the lease term.

Prepaid lease rentals are amortised over the lease term on a straight line basis.

Leases of buildings where the Group has substantially all the risk and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The buildings acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

#### 2.16 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

#### 2.17 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on the net basis, or to realise the assets and settle the liability simultaneously.

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 3 Critical Accounting Estimates And Judgments In Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### 3.1 Estimate arising from insurance liabilities

- (a) Claims reported and loss adjustment expenses under short term insurance contracts

The estimation of the liability arising from claims made under insurance contracts is one of the Group's accounting estimates. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims. In estimating the liability for the outstanding claims, the Group considers any information available from Loss Adjusters and information on the cost of settling claims with similar characteristics in previous periods. If this reserve was to increase by 5%, this would result in an increase in the insurance liabilities of \$4,692,745 (2009:\$4,479,196) and a change in profit before tax of \$2,341,178 (2009:\$2,152,870).

- (b) Estimate of future benefit payments and premiums arising from long term insurance contracts

The liabilities under long-term insurance contracts are determined using the policy premium method. The liabilities are calculated as the expected present value of future benefit payments less future valuation premiums. The mortality rates are based on 1986-92 Canadian Institute of Actuaries mortality tables and interest rate assumptions are based on the past performance of the Group. If this reserve was to increase by 5%, this would result in an increase in the insurance liabilities of \$90,698 (2009: \$52,032) and profit before tax of \$76,913 (2009: \$52,032).

- (c) Claims incurred but not reported

In estimating the ultimate liability arising from insurance

contracts, the Group makes certain assumptions regarding claims arising during the current year which have not been reported as at the year end. These estimates are based on historical experience as well as statistical analyses. If the value of claims reported after the year end which related to the current year was to increase by 5% compared to management's estimate, this would result in an increase in the liabilities due under insurance contracts of \$1,445,502 (2009:\$1,215,225) and of \$607,952 (2009: \$520,999) in profit before tax.

- (d) Unearned premiums

The Group estimates at the end of each financial year the value of premium income billed during the year which has not been earned by the Group as at the year end. These estimates are based on the inception dates of the policies as well as the types of policies being issued. If this reserve were to increase by 5%, this would result in an increase in the insurance liabilities of \$5,696,707 (2009:\$ 6,062,337) and of \$3,426,201 (2009:\$ 2,982,377) in profit before tax.

#### 3.2 Impairment of loans and receivables

The Group assesses at the year end whether its receivables arising from insurance contracts are impaired. Management reviews the ageing of these receivables as well as the creditworthiness of the debtors in estimating these impairment provisions. If the value of doubtful debts was to increase by 5% from management's estimate, this would result in an increase in the provision for doubtful debts and a fall in profit before tax by \$ 463,881 (2009: \$262,081).

#### 3.3 Estimation of fair values for available-for-sale financial assets

In estimating the fair values of available-for-sale financial assets, management utilizes various assumptions and valuation techniques such as discounted cash flow analyses and reference to recent prices of similar financial instruments for the valuation of its unquoted instruments. If the fair value gains / (losses) were to increase by 5%, this would result in a movement in other comprehensive income of \$24,502 (2009: (\$121,636)).

## Notes to the consolidated financial statements 30 June 2010 (Expressed in Trinidad and Tobago Dollars)

(continued)

### 4 Management of Insurance and Financial Risk

#### 4.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Insurance risk arises from:

- Fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations.
- Unexpected claims arising from a single source.
- Inaccurate pricing of risk when underwritten.
- Inadequate reinsurance protection or other risk transfer techniques.
- Inadequate reserving for claim liabilities

##### 4.1.1 Motor, casualty and property insurance risks

###### i) Frequency and severity of claims

The frequency and severity of casualty claims can be affected by several factors. The most significant incidents

of casualty claims is monetary awards granted for bodily injury suffered by employees (for employer's liability/workmen's compensation coverage) or members of the public (for public liability coverage).

The frequency and severity of property claims can also be affected by several factors. Climatic changes give rise to more frequent losses (for example, windstorms/hurricane, flooding, subsidence/landslip and earthquakes). The greatest likelihood of significant losses on these contracts arises from earthquake, windstorm or flood damage.

The Group manages the risks on motor, casualty and property insurance through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy is agreed by an executive committee and communicated by specific policy statements and guidelines. Policies and procedures exist for underwriting, claims management, reinsurance and reserving and operate within the Group's risk-management framework.

Mechanisms are in place in each of the business units to identify, quantify and manage accumulated exposures within the limits of the Group's risk appetite. Reinsurance is used to assist in reducing the financial impact of a catastrophe and to reduce the volatility of earnings. Reinsurance purchases are reviewed annually to check that the levels of protection being purchased match developments in exposure. Reinsurance arrangements are only placed with providers who meet the Group's counterparty credit risk standards.

The adequacy of the general insurance reserves is ultimately approved by the executive committee who maintains a general insurance reserving policy and regularly monitors its adequacy.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The Group manages the concentration of insurance risk using geographical segregation as follows:

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 4 Management of Insurance and Financial Risk (Continued)

#### 4.1 Insurance risk (continued)

##### 4.1.1 Motor, casualty and property insurance risks (continued)

###### i) Frequency and severity of claims (continued)

###### Sums insured as at 30 June 2010 (all amounts in Trinidad and Tobago\$)

Type of Business	Trinidad	Barbados	Dominica	Grenada	St. Lucia	St Vincent	St. Kitts
Motor and casualty	2,669,307,530	113,556,119	128,616,953	224,294,708	141,006,483	109,647,713	24,716,822
Property	12,523,084,384	1,286,099,366	861,566,408	1,208,466,141	754,324,632	556,604,453	159,276,325
<b>Totals</b>	<b>15,192,391,914</b>	<b>1,399,655,485</b>	<b>990,183,361</b>	<b>1,432,760,849</b>	<b>895,331,115</b>	<b>666,252,166</b>	<b>183,993,147</b>

###### Sums insured as at 30 June 2009 (all amounts in Trinidad and Tobago \$)

Type of Business	Trinidad	Barbados	Dominica	Grenada	St. Lucia	St Vincent	St. Kitts
Motor and casualty	3,919,686,630	110,033,291	92,176,185	214,702,323	141,462,061	88,940,690	15,102,950
Property	16,488,635,126	1,142,319,911	773,550,614	1,108,884,501	640,682,268	417,808,538	80,627,696
<b>Totals</b>	<b>20,408,321,756</b>	<b>1,252,353,202</b>	<b>865,726,799</b>	<b>1,323,586,824</b>	<b>782,144,329</b>	<b>506,749,228</b>	<b>95,730,646</b>

The sums insured noted above does not include third party coverage.

###### ii) Sources of uncertainty in the estimation of future claim payments

Claims on motor and casualty contracts are payable on a claims-occurrence basis. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees or members of the public. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risk of the business activities carried out by individual contract holders and the risk management procedures they adopted. Liability limits on policies are subject to legislation limits and the Group reduces its exposure through a casualty reinsurance treaty. All claims under litigation are separately monitored by the executive management team and subject to periodical reviews with legal representatives.

An increase of 5% in the cost of settling motor and casualty claims would increase the liabilities due under these insurance contracts for the year by \$3,498,602 (2009: \$ 3,540,388).

The estimated cost of claims includes direct expenses to be incurred in settling claims. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liabilities for these contracts comprise a provision for claims incurred but not reported (IBNR).

Claim cases are continuously re-evaluated based on new information and developments.

Property claims have a shorter settlement period. As a result claim estimation is based on loss ratio trends and the prevailing economic climate the Group operates in.

## Notes to the consolidated financial statements 30 June 2010 (Expressed in Trinidad and Tobago Dollars)

(continued)

### 4 Management of Insurance and Financial Risk (Continued)

#### 4.1 Insurance risk (continued)

##### 4.1.1 Motor, casualty and property insurance risks (continued)

###### ii) Sources of uncertainty in the estimation of future claim payments

An increase of 5% in the cost of settling property claims would increase the liabilities due under these insurance contracts for the year by \$1,194,143 (2009:\$ 2,100,407).

Note 16 presents the development of the estimate of ultimate claim cost for claims notified in a given year.

#### 4.2 Financial risk

The Group is exposed to financial risk mainly through its financial assets, financial liabilities and reinsurance assets. In particular the key financial risk is that the proceeds from the Group's financial assets are not sufficient to fund the obligations arising from its financial liabilities and insurance contracts. The most important components of financial risk are market risk, credit risk and liquidity risk.

##### 4.2.1 Credit risk

The Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;

- amounts due from insurance contract holders;
- amounts due from insurance intermediaries;
- amounts due on available-for-sale financial assets; and
- amounts due on its cash holdings and short term deposits.

The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty. Such risks are subject to an annual or more frequent review. Impairment provisions are established for losses that have been incurred at the year end.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The Group mainly utilizes international reinsurers with an A+ or higher rating (AM Best or Standard and Poor's). The reinsurers' ratings are reviewed periodically and annually prior to renewal of reinsurance treaty arrangements.

Loans and receivables comprise primarily amounts due from insurance contracts holders and intermediaries, mortgage loans and amounts due from reinsurers. For policyholders, credit is restricted and regulated in accordance with corporate credit policy. Through a process of internal audit and management reviews of ageing analysis on a monthly basis, creditworthiness is monitored and the Group reserves its right to effect cancellation on the unexpired portion of the risks. All loans are subject to individual credit assessment.

Debt securities comprise primarily Government or Government backed bonds.

Short term deposits and cash and cash equivalents include cash short term fixed deposits of one (1) year or less, mutual funds placed with reputable leading regional financial institutions and Government Short-Term treasury bills of between 91 and 181 days duration.

There were no changes in the Group's objectives, policies or procedures for managing credit risk.

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 4 Management of Insurance and Financial Risk (Continued)

#### 4.2 Financial risk (continued)

##### 4.2.1 Credit risk (continued)

###### (i) Assets bearing credit risk

Below is an analysis of assets bearing credit risk:

###### As at 30 June 2010

	Neither past due nor impaired \$	Past due but not impaired \$	Impaired \$	Total \$
Financial Assets				
- debt securities	5,717,791	--	--	5,717,791
- gross loans and receivables	27,753,316	22,691,657	9,056,667	59,501,640
Less provision for doubtful debts	--	--	(9,056,667)	(9,056,667)
Reinsurance Assets	109,468,152	--	--	109,468,152
Other Assets	482,963	1,064,311	220,958	1,768,232
Less provision for doubtful debts	--	--	(220,958)	(220,958)
Short term deposits	89,326,162	--	--	89,326,162
Cash and Cash Equivalents	<u>21,268,497</u>	<u>--</u>	<u>--</u>	<u>21,268,497</u>
Total	<u>254,016,881</u>	<u>23,755,968</u>	<u>--</u>	<u>277,772,849</u>

###### As at 30 June 2009

	Neither past due nor impaired \$	Past due but not impaired \$	Impaired \$	Total \$
Financial Assets				
- debt securities	10,830,917	--	--	10,830,917
- gross loans and receivables	22,125,147	18,483,292	5,020,654	45,629,093
Less provision for doubtful debts	--	--	(5,020,654)	(5,020,654)
Reinsurance Assets	122,010,136	--	--	122,010,136
Other Assets	395,516	1,813,894	220,958	2,430,368
Less provision for doubtful debts	--	--	(220,958)	(220,958)
Short term deposits	75,538,861	--	--	75,538,861
Cash and Cash Equivalents	<u>19,285,348</u>	<u>--</u>	<u>--</u>	<u>19,285,348</u>
Total	<u>250,185,925</u>	<u>20,297,186</u>	<u>--</u>	<u>270,483,111</u>

The Group does not hold any collateral as security and no other credit enhancements are pledged or maintained in respect of the amounts disclosed above. Financial assets that are past due are assessed for impairment based on the credit worthiness of the debtor, historical payment patterns and the amounts received subsequent to the year end.

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 4 Management of Insurance and Financial Risk (Continued)

#### 4.2 Financial risk (continued)

##### 4.2.1 Credit risk (continued)

- (ii) Financial assets past due but not impaired  
Financial assets that are past due but not impaired were assessed for impairment based on the credit worthiness of the debtor, historical payment patterns and the amounts received subsequent to the year end and were considered not to be impaired.

##### As at 30 June 2010

	30 – 60 Days \$	Between 60 – 90 Days \$	Over 90 Days \$	Total \$
Financial Assets				
- loans and receivables	12,427,614	8,618,126	1,645,917	22,691,657
Other assets	<u>1,064,311</u>	--	--	<u>1,064,311</u>
Total	<u>13,491,925</u>	<u>8,618,126</u>	<u>1,645,917</u>	<u>23,755,968</u>

##### As at 30 June 2009

	30 – 60 Days \$	Between 60 – 90 Days \$	Over 90 Days \$	Total \$
Financial assets				
- loans and receivables	8,669,505	8,496,720	1,317,067	18,483,292
Other assets	<u>1,813,894</u>	--	--	<u>1,813,894</u>
Total	<u>10,483,399</u>	<u>8,496,720</u>	<u>1,317,067</u>	<u>20,297,186</u>

- (iii) Impaired financial assets and movement in provision for doubtful debts

	2010 \$	2009 \$
At beginning of year	5,241,612	6,541,562
Increase / (decrease) in provision for the year	<u>4,036,013</u>	<u>(1,299,950)</u>
At end of year	<u>9,277,625</u>	<u>5,241,612</u>

This is reflected within the loans and receivables balance as at the year end.

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 4 Management of Insurance and Financial Risk (Continued)

#### 4.2 Financial risk (continued)

##### 4.2.1 Credit risk (continued)

(iv) Concentration of credit risk

The Group analyses its concentration of credit risk by geographical location as follows:

#### As at 30 June 2010

	Trinidad and Tobago \$	Barbados \$	Eastern Caribbean \$	Total \$
Financial Assets				
- debt securities	2,085,944	770,840	2,861,007	5,717,791
- loans and receivables	37,233,243	2,180,229	11,031,501	50,444,973
Reinsurance Assets	64,146,658	4,912,323	40,409,171	109,468,152
Other Assets	309,657	304,488	933,129	1,547,274
Short Term Deposits	60,665,388	4,030,000	24,630,774	89,326,162
Cash and Cash Equivalents	<u>11,391,090</u>	<u>2,216,268</u>	<u>7,661,139</u>	<u>21,268,497</u>
<b>Total</b>	<u>175,831,980</u>	<u>14,414,148</u>	<u>87,526,721</u>	<u>277,772,849</u>

#### As at 30 June 2009

	Trinidad and Tobago \$	Barbados \$	Eastern Caribbean \$	Total \$
Financial Assets				
- debt securities	7,190,897	783,680	2,856,340	10,830,917
- loans and receivables	29,459,964	1,551,464	9,597,011	40,608,439
Reinsurance Assets	79,878,535	3,621,900	38,509,701	122,010,136
Other Assets	620,798	184,782	1,403,830	2,209,410
Short Term Deposits	39,120,974	4,030,000	32,387,887	75,538,861
Cash and Cash Equivalents	<u>11,909,054</u>	<u>1,293,686</u>	<u>6,082,608</u>	<u>19,285,348</u>
<b>Total</b>	<u>168,180,222</u>	<u>11,465,512</u>	<u>90,837,377</u>	<u>270,483,111</u>

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 4 Management of Insurance and Financial Risk (Continued)

#### 4.2 Financial risk (continued)

##### 4.2.1 Credit risk (continued)

(v) Credit quality of financial assets

The credit quality of financial assets is measured on a group basis. Banks and financial institutions with an independent external minimum rating of 'BBB' are accepted as well as reinsurers with a minimum rating of 'A'. Where customers bearing credit risk are independently rated, these ratings are used. In instances where there is no independent rating, the credit quality of the customer is assessed by taking into account their financial position, past experience and other factors.

#### As at 30 June 2010

	A \$	BBB \$	BB or below \$	No ratings assigned \$	Total \$
Debt securities	1,093,750	783,680	--	3,840,361	5,717,791
Loans and receivables	5,078,044	--	--	45,366,929	50,444,973
Reinsurance assets	109,468,152	--	--	--	109,468,152
Other assets	--	--	--	1,547,274	1,547,274
Short term deposits	60,897,244	11,541,063	920,000	15,967,855	89,326,162
Cash and cash equivalents	<u>5,166,583</u>	<u>16,078,774</u>	<u>--</u>	<u>23,140</u>	<u>21,268,497</u>
<b>Total</b>	<u>181,703,773</u>	<u>28,403,517</u>	<u>920,000</u>	<u>66,745,559</u>	<u>277,772,849</u>

#### As at 30 June 2009

	A \$	BBB \$	BB or below \$	No ratings assigned \$	Total \$
Debt securities	7,190,895	783,680	2,856,342	--	10,830,917
Loans and receivables	--	--	--	40,608,439	40,608,439
Reinsurance assets	122,010,136	--	--	--	122,010,136
Other assets	--	--	--	2,209,410	2,209,410
Short term deposits	56,631,014	15,858,799	--	3,049,048	75,538,861
Cash and cash equivalents	<u>7,124,870</u>	<u>12,121,820</u>	<u>--</u>	<u>38,658</u>	<u>19,285,348</u>
<b>Total</b>	<u>192,956,915</u>	<u>28,764,299</u>	<u>2,856,342</u>	<u>45,905,555</u>	<u>270,483,111</u>

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 4 Management of Insurance and Financial Risk (Continued)

#### 4.2 Financial risk (continued)

##### 4.2.2 Liquidity risk

The Group is exposed to regular demands on its available cash resources. Liquidity risk is the risk that the Group may not be able to pay obligations when they fall due. The Group employs various asset/liability techniques to manage its liquidity risks. These include matching the maturity profile of its assets and liabilities and maintaining short term assets to meet its funding requirements at any point in time. The techniques used vary with market conditions.

The following table analyses financial assets and liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

The analysis below shows the maturity profile of financial assets based on contractual discounted cashflows; the maturity profile of financial liabilities using contractual undiscounted cashflows; and the maturity profile of insurance liabilities using expected discounted cashflows.

	Up to One Year \$	One to Five Years \$	Over Five Years \$	Total \$
<b>As at 30 June 2010</b>				
<b>Assets</b>				
Financial assets				
- available-for-sale	5,536,070	2,970,662	4,465,379	12,972,111
- loans and receivables	47,307,137	3,775,682	439,377	51,522,196
Reinsurance assets	106,758,203	2,709,949	--	109,468,152
Other assets	1,547,274	--	--	1,547,274
Short term deposits	89,326,162	--	--	89,326,162
Cash and cash equivalents	<u>21,268,497</u>	<u>--</u>	<u>--</u>	<u>21,268,497</u>
<b>Total</b>	<u>271,743,343</u>	<u>9,456,293</u>	<u>4,904,756</u>	<u>286,104,392</u>
<b>Liabilities</b>				
Insurance Contracts	<u>227,878,804</u>	<u>14,411,976</u>	<u>--</u>	<u>242,290,780</u>
	<u>227,878,804</u>	<u>14,411,976</u>	<u>--</u>	<u>242,290,780</u>
Reinsurance payable	25,496,978	--	--	25,496,978
Trade and other payables	<u>12,957,803</u>	<u>--</u>	<u>--</u>	<u>12,957,803</u>
	<u>38,454,781</u>	<u>--</u>	<u>--</u>	<u>38,454,781</u>
<b>Total</b>	<u>266,333,585</u>	<u>14,411,976</u>	<u>--</u>	<u>280,745,561</u>

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 4 Management of Insurance and Financial Risk (Continued)

#### 4.2 Financial risk (continued)

##### 4.2.2 Liquidity risk (continued)

	Up to One Year \$	One to Five Years \$	Over Five Years \$	Total \$
<b>As at 30 June 2009</b>				
<b>Assets</b>				
Financial assets				
- available-for-sale	11,348,847	4,178,858	2,651,180	18,178,885
- loans and receivables	36,718,311	4,874,201	667,028	42,259,540
Reinsurance assets	120,806,587	1,203,549	--	122,010,136
Other assets	2,209,410	--	--	2,209,410
Short term deposits	75,538,861	--	--	75,538,861
Cash and cash equivalents	<u>19,285,348</u>	<u>--</u>	<u>--</u>	<u>19,285,348</u>
<b>Total</b>	<u>265,907,364</u>	<u>10,256,608</u>	<u>3,318,208</u>	<u>279,482,180</u>
<b>Liabilities</b>				
Insurance contracts	<u>228,028,396</u>	<u>11,620,413</u>	<u>--</u>	<u>239,648,809</u>
	228,028,396	11,620,413	--	239,648,809
Bank overdrafts	2,581	--	--	2,581
Reinsurance payable	14,455,535	--	--	14,455,535
Trade and other payables	<u>13,724,285</u>	<u>--</u>	<u>--</u>	<u>13,724,285</u>
	<u>28,182,401</u>	<u>--</u>	<u>--</u>	<u>28,182,401</u>
<b>Total</b>	<u>256,210,797</u>	<u>11,620,413</u>	<u>--</u>	<u>267,831,210</u>

There were no changes in the objectives, policies or procedures for managing liquidity risk from the prior year.

##### 4.2.3 Market risk

Market risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate as a result of change in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

###### a) Fair value and cash flow interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position, financial performance and future cash flows. Fair value interest rate risk is the risk that the fair values of a financial instrument will fluctuate because of changes in the market interest rates. Cash flow interest rate risk is the risk that the future cashflows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from its available-for-sale financial assets and its loans. The Group has no significant borrowing and interest servicing debts and therefore is not subject to significant interest rate risk on its financial liabilities.

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 4 Management of Insurance and Financial Risk (Continued)

#### 4.2 Financial risk (continued)

##### 4.2.3 Market risk (continued)

###### a) Fair value and cash flow interest rate risk (continued)

The Group employs various asset/liability techniques to manage interest rate risks. These techniques include managing the composition of the portfolio between fixed and floating rate instruments and regularly reviewing the market values of its available-for-sale financial assets. The Group's treasury management strategy is focused towards short-term investment instruments including fixed deposit, government short-term treasury bills and mutual funds with maturity terms of 1 year or less. For investments with maturities exceeding one (1) year opportunities for variable interest rate instruments are sourced as a preferred investment.

There are no changes in objectives, policies or procedures for managing interest rate risk from the prior year.

###### (i) Cash flow interest rate risk

The table below summarises the Group's exposure to cashflow interest rate risk.

As at 30 June 2010

Description	Carrying Value \$	1% Movement in Interest Rates \$
Available-for-sale financial assets	<u>1,049,217</u>	<u>10,492</u>
Short term deposits	<u>89,326,162</u>	<u>893,262</u>
Cash and cash equivalents	<u>21,268,497</u>	<u>212,685</u>

As at 30 June 2009

Description	Carrying Value \$	1% Movement in Interest Rates \$
Available-for-sale financial assets	<u>1,039,735</u>	<u>10,397</u>
Short term deposits	<u>75,538,861</u>	<u>755,388</u>
Cash and cash equivalents	<u>19,285,348</u>	<u>192,853</u>

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 4 Management of Insurance and Financial Risk (Continued)

#### 4.2 Financial risk (continued)

##### 4.2.3 Market risk (continued)

###### a) Fair value and cash flow interest rate risk (continued)

###### (ii) Fair value interest rate risk

As of 30 June 2010

<b>Description</b>	<b>Carrying Value</b> \$	<b>Fair Value</b> \$
Available-for-sale financial assets	<u>4,668,574</u>	<u>4,668,574</u>
Other loans	<u>4,212,200</u>	<u>4,383,191</u>

As of 30 June 2009

<b>Description</b>	<b>Carrying Value</b> \$	<b>Fair Value</b> \$
Available-for-sale financial assets	<u>9,791,182</u>	<u>9,791,182</u>
Other loans	<u>5,365,761</u>	<u>5,393,374</u>

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 4 Management of Insurance and Financial Risk (Continued)

#### 4.2 Financial risk (continued)

##### 4.2.3 Market risk (continued)

###### b) Currency risk

The Group takes on exposure due to the effects of fluctuations in the prevailing foreign exchange rates on its financial positions, financial performance and cash flows. The strategy for dealing with currency risks is to match foreign currency liabilities with assets denominated in the same currency.

The table below summarises the Group's significant currency positions for currency other than Trinidad and Tobago dollars (expressed in Trinidad and Tobago dollars):

	EC \$	Barbados \$	Other \$	Total \$
<b>As at 30 June 2010</b>				
<b>Assets</b>				
Financial assets				
- available-for-sale	1,741,647	1,454,167	2,241,216	5,437,030
- loans and receivables	11,031,501	2,180,229	--	13,211,730
Reinsurance assets	40,409,171	4,912,323	--	45,321,494
Other assets	933,129	304,488	--	1,237,617
Short term deposits	23,073,654	4,030,000	11,081,445	38,185,099
Cash and cash equivalents	<u>7,661,139</u>	<u>2,216,268</u>	<u>1,390,748</u>	<u>11,268,155</u>
Total assets	<u>84,850,241</u>	<u>15,097,475</u>	<u>14,713,409</u>	<u>114,661,125</u>
<b>Liabilities</b>				
Insurance contracts	71,303,372	12,417,317	--	83,720,689
Reinsurance payable	3,940,192	964,001	--	4,904,193
Trade and other payables	<u>5,595,919</u>	<u>627,297</u>	--	<u>6,223,216</u>
	<u>80,839,483</u>	<u>14,008,615</u>	--	<u>94,848,098</u>
<b>Net currency gap</b>	<u>4,010,758</u>	<u>1,088,860</u>	<u>14,713,409</u>	<u>19,813,027</u>
Effect of 1% change in exchange rates on statement of comprehensive income	<u>40,108</u>	<u>10,889</u>	<u>147,134</u>	<u>198,131</u>

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 4 Management of Insurance and Financial Risk (Continued)

#### 4.2 Financial risk (continued)

##### 4.2.3 Market risk (continued)

##### b) Currency risk (continued)

	EC \$	Barbados \$	Other \$	Total \$
<b>As at 30 June 2009</b>				
<b>Assets</b>				
Financial assets				
- available-for-sale	1,618,840	1,743,084	3,453,106	6,815,030
- loans and receivables	9,597,012	1,551,464	--	11,148,476
Reinsurance assets	38,509,697	3,621,900	--	42,131,597
Other assets	1,403,825	184,782	--	1,588,607
Short term deposits	13,276,638	4,030,000	21,785,690	39,092,328
Cash and cash equivalents	<u>6,082,608</u>	<u>1,293,686</u>	<u>1,501,865</u>	<u>8,878,159</u>
Total assets	<u>70,488,620</u>	<u>12,424,916</u>	<u>26,740,661</u>	<u>109,654,197</u>
<b>Liabilities</b>				
Insurance contracts	69,722,679	11,086,697	--	80,809,376
Bank overdraft	2,581	--	--	2,581
Reinsurance payable	3,939,848	75,575	--	4,015,423
Trade and other payables	<u>6,545,347</u>	<u>597,745</u>	--	<u>7,143,092</u>
	<u>80,210,455</u>	<u>11,760,017</u>	--	<u>91,970,472</u>
<b>Net currency gap</b>	<u>(9,721,835)</u>	<u>664,899</u>	<u>26,740,661</u>	<u>17,683,725</u>
Effect of 1% change in exchange rates on statement of comprehensive income	<u>(97,218)</u>	<u>6,649</u>	<u>267,407</u>	<u>176,838</u>

Included in the 'Other' category are assets held in Canadian Dollars and United States Dollars.

Management believes a 1% deviation to be reasonable given the current and expected economic conditions in the locations in which the Group operates. There were no change in the objectives, policies or procedures for managing currency risk from the prior year.

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 4 Management of Insurance and Financial Risk (Continued)

#### 4.2 Financial risk (continued)

##### 4.2.3 Market risk (continued)

##### c) Other price risk

<b>As at 30 June 2010</b>	<b>Carrying Value</b>	<b>Effect on Equity</b>
	<b>\$</b>	<b>Of a 5% Change</b>
		<b>\$</b>
Equities		
Listed	3,786,935	189,347
Unlisted	<u>1,271,856</u>	<u>63,593</u>
	<u>5,058,791</u>	<u>252,940</u>
<b>As at 30 June 2009</b>		
Equities		
Listed	3,586,580	179,329
Unlisted	<u>1,271,856</u>	<u>63,593</u>
	<u>4,858,436</u>	<u>242,922</u>

Management believes a 5% deviation to be reasonable given the current and expected economic conditions in the locations in which the Group operates. The fair values of unquoted instruments are based on reference to current market prices of similar instruments and the use of discounted cash flow techniques. There were no changes in the objectives, policies or procedures for managing fair value risk from the prior year.

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 4 Management of Insurance and Financial Risk (Continued)

#### 4.2 Financial risk (continued)

##### 4.2.4 Financial instruments by class

The table below summarizes the carrying value of the Group's financial assets and the fair value as at the year end.

#### As at 30 June 2010

Financial Instrument	Carrying Value	Fair Value
Financial Assets	\$	\$
Debt securities	5,717,791	5,717,791
Equities	5,058,791	5,058,791
Loans and receivables	50,444,973	50,615,966
Reinsurance assets	109,468,152	109,468,152
Other assets	1,547,274	1,547,274
Short term deposits	89,326,162	89,326,162
Cash and cash equivalents	21,268,497	21,268,497
<b>Financial Liabilities</b>		
Reinsurance payable	25,496,979	25,496,979
Trade and other payables	12,957,803	12,957,803

#### As at 30 June 2009

Financial Instrument	Carrying Value	Fair Value
Financial Assets	\$	\$
Debt securities	10,830,917	10,830,917
Equities	4,858,436	4,858,436
Loans and receivables	40,608,439	40,636,052
Reinsurance assets	122,010,136	122,010,136
Other assets	2,209,410	2,209,410
Short term deposits	75,538,861	75,538,861
Cash and cash equivalents	19,285,348	19,285,348
<b>Financial Liabilities</b>		
Bank overdraft	2,581	2,581
Reinsurance payable	14,455,535	14,455,535
Trade and other payables	13,724,285	13,724,285

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 4 Management of Insurance and Financial Risk (Continued)

#### 4.2 Financial risk (continued)

##### 4.2.4 Financial instruments by class (continued)

The fair value of financial instruments is determined as follows:

a) Debt securities and Equities

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

b) Loans and Receivables

The fair value was determined based on the present value of future cash flows using current market interest rates.

d) Reinsurance Assets

The carrying value on these reinsurance assets are a close approximation to the fair value of these assets as these amounts represents the reinsurance assets on the related undiscounted insurance liabilities for which the settlement date is uncertain.

e) Other Financial Assets and Liabilities

These balances are short term and as a result, carrying value is a close approximation to fair value.

##### 4.2.5 Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) 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 (that is, as prices) or indirectly (that is, derived from prices).
- 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. The Group considers relevant and observable market prices in its valuations where possible. There were no transfers between the levels during the period.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>As at 30 June 2010</b>				
<b>Assets</b>				
Financial Assets				
- available-for-sale	<u>4,963,252</u>	<u>4,541,474</u>	<u>1,271,856</u>	<u>10,776,582</u>

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 4 Management of Insurance and Financial Risk (Continued)

#### 4.2 Financial risk (continued)

##### 4.2.5 Fair value hierarchy (continued)

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
As at 30 June 2009				
Assets				
Financial Assets				
- available-for-sale	<u>5,721,642</u>	<u>8,695,855</u>	<u>1,271,856</u>	<u>15,689,353</u>

##### 4.2.6 Capital Management

The Group manages its shareholders' equity of \$61,777,875 (2009: \$31,688,485) as capital.

The Group's objectives when managing capital are:

- To comply with the capital requirements required by the regulators of the insurance markets where the Group operates.
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.
- To provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

In each country in which the Group operates, the local insurance regulator specifies the minimum amount and type of capital that must be held in relation to their insurance liabilities. The minimum required capital must be maintained at all times throughout the year. The Group is subject to insurance solvency regulations in all the territories in which it issues insurance contracts. These solvency regulations require the Group and its individual branches in each territory to maintain a surplus of assets over liabilities greater than a specific percentage of its net premium income. The percentage differs in each territory. The Group has embedded in its compliance framework the necessary tests to ensure continuous and full compliance with such regulations.

In the current year, the Group met its objectives for managing capital. There were no changes in the objectives, capital base or policies for capital management from the prior year.

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 5 Property, Plant And Equipment

	Vehicles Leasehold Property \$	Freehold Properties \$	Furniture and Fittings \$	And Office Equipment \$	Computer Equipment \$	Total \$
<b>Year ended 30 June 2010</b>						
Opening net book amount	--	10,011,118	1,831,459	1,247,849	8,090,755	21,181,181
Additions	8,000,000	2,812,234	541,905	130,532	5,670,188	17,154,659
Disposals	--	--	(45,564)	(783)	(148,293)	(194,640)
Depreciation charge	--	<u>(254,004)</u>	<u>(265,819)</u>	<u>(266,569)</u>	<u>(2,641,901)</u>	<u>(3,428,293)</u>
Closing net book amount	<u>8,000,000</u>	<u>12,569,148</u>	<u>2,061,981</u>	<u>1,111,029</u>	<u>10,970,749</u>	<u>34,712,907</u>
<b>At 30 June 2010</b>						
Cost	8,000,000	12,864,861	3,818,794	2,959,679	24,744,235	52,387,569
Accumulated depreciation	--	<u>(295,713)</u>	<u>(1,756,813)</u>	<u>(1,848,650)</u>	<u>(13,773,486)</u>	<u>(17,674,662)</u>
Net book amount	<u>8,000,000</u>	<u>12,569,148</u>	<u>2,061,981</u>	<u>1,111,029</u>	<u>10,970,749</u>	<u>34,712,907</u>
<b>Year ended 30 June 2009</b>						
Opening net book amount	--	1,687,968	1,211,831	627,128	6,505,283	10,032,210
Additions	--	8,364,858	795,725	773,973	3,516,838	13,451,394
Disposals	--	--	(367)	--	--	(367)
Depreciation charge	--	<u>(41,708)</u>	<u>(175,730)</u>	<u>(153,252)</u>	<u>(1,931,366)</u>	<u>(2,302,056)</u>
Closing net book amount	--	<u>10,011,118</u>	<u>1,831,459</u>	<u>1,247,849</u>	<u>8,090,755</u>	<u>21,181,181</u>
<b>At 30 June 2009</b>						
Cost	--	10,052,826	3,353,098	2,832,103	19,344,474	35,582,501
Accumulated depreciation	--	<u>(41,708)</u>	<u>(1,521,639)</u>	<u>(1,584,254)</u>	<u>(11,253,719)</u>	<u>(14,401,320)</u>
Net book amount	--	<u>10,011,118</u>	<u>1,831,459</u>	<u>1,247,849</u>	<u>8,090,755</u>	<u>21,181,181</u>
<b>At 30 June 2008</b>						
Cost	--	1,687,968	2,554,783	2,058,130	15,827,636	22,128,517
Accumulated depreciation	--	--	<u>(1,342,952)</u>	<u>(1,431,002)</u>	<u>(9,322,353)</u>	<u>(12,096,307)</u>
Net book amount	--	<u>1,687,968</u>	<u>1,211,831</u>	<u>627,128</u>	<u>6,505,283</u>	<u>10,032,210</u>

As disclosed in Note 6, the leasehold interest in the property was acquired from CGH Limited.

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 6 Prepaid Lease Rentals

In June 2010, the Group acquired a leasehold interest in land and buildings totaling \$30.2 million from CGH Limited. Included in property, plant and equipment is an amount of \$8 million representing the Group's leasehold interest in the buildings (See Note 5). The leasehold interest in the land of \$22.2 million is included under prepaid lease rentals. The consideration paid by the Group for the acquisition of this leasehold interest was the issuance of 27 million ordinary shares at \$1 each and a payment of \$3million in cash to CGH Limited (See Note 14). These prepaid lease payments are amortised over the unexpired lease term of 70 years.

### 7 Retirement Benefit Asset

	2010 \$	2009 \$
Retirement Benefit Asset	<u>1,479,540</u>	<u>1,485,607</u>
Amounts recognized in the statement of financial position are as follows:		
Fair value of plan assets	3,947,006	3,875,884
Present value of funded obligations	<u>(2,301,882)</u>	<u>(2,414,943)</u>
	1,645,124	1,460,941
Unrecognized actuarial (gains) / losses	<u>(165,584)</u>	<u>24,666</u>
Retirement Benefit Asset	<u>1,479,540</u>	<u>1,485,607</u>
Movement in the retirement benefit asset recognized over the year is as follows:		
Beginning of year	1,485,607	1,281,013
Net pension (expense) / income	(7,228)	203,531
Contributions paid	<u>1,161</u>	<u>1,063</u>
At end of year	<u>1,479,540</u>	<u>1,485,607</u>
Movement in the present value of funded obligation for the year is as follows:		
Beginning of year	2,414,943	2,135,674
Interest cost	189,379	166,523
Current service cost	113,745	88,266
Benefit payments	(7,242)	(7,242)
Actuarial (gains) / losses	<u>(408,943)</u>	<u>31,722</u>
At end of year	<u>2,301,882</u>	<u>2,414,943</u>

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 7 Retirement Benefit Asset (Continued)

	2010 \$	2009 \$
Movement in the fair value of plan assets for the year is as follows:		
Beginning of year	3,875,884	4,131,032
Expected return on plan assets	272,106	289,853
Company contributions	28,723	25,598
Employee Contributions	1,161	1,063
Benefit payments	(7,242)	(7,242)
Actuarial losses	<u>(223,626)</u>	<u>(564,420)</u>
At end of year	<u>3,947,006</u>	<u>3,875,884</u>
Amounts recognized in the consolidated statement of comprehensive income:		
Current service cost	113,745	88,266
Company contributions	(28,723)	(25,598)
Interest cost	189,379	166,523
Expected return on plan assets	(272,106)	(289,853)
Net actuarial (gain)/loss	<u>4,933</u>	<u>(142,869)</u>
Net pension expense / (income)	<u>7,228</u>	<u>(203,531)</u>
Actual return on plan assets	<u>48,478</u>	<u>(274,567)</u>
	<b>2010</b>	<b>2009</b>
The principal assumptions used in the actuarial valuation are as follows:		
Discount rate at end of year	7.5%	7.5%
Expected return of plan assets at end of year	6.0%	7%
Future salary increases	6.0%	6.5%
Future pension increases	2.5%	3%
Mortality - US Mortality tables	GAM94	GAM94
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
The plan assets are invested in a managed fund held at Sagicor Life Inc.	<u>3,947,006</u>	<u>3,875,884</u>

The expected return on assets is the growth in the plan assets during the year. This is calculated using an average of the assets at the start and end of the year multiplied by the expected percentage rate of return.

The expected contributions to post employment benefit plans for the year ending 30 June 2011 are \$29,472.

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 7 Retirement Benefit Asset (Continued)

The amounts recognized in the consolidated statement of financial position for a five year period are as follows:

	2010 \$	2009 \$	2008 \$	2007 \$	2006 \$
Present value of funded obligation	(2,301,882)	(2,414,943)	(2,135,674)	(13,302,368)	(11,815,317)
Fair value of plan assets	<u>3,947,006</u>	<u>3,875,884</u>	<u>4,131,032</u>	<u>13,907,617</u>	<u>12,917,948</u>
Surplus	<u>1,645,124</u>	<u>1,460,941</u>	<u>1,995,358</u>	<u>605,249</u>	<u>1,102,631</u>
Experience adjustment on plan assets	<u>(223,628)</u>	<u>(564,420)</u>	<u>(11,715)</u>	<u>(153,381)</u>	<u>(417,719)</u>
Experience adjustment on plan liabilities	<u>(408,943)</u>	<u>31,722</u>	<u>1,694,462</u>	<u>352,949</u>	<u>(12,138)</u>

### 8 Investment In Associate Company

The Group disposed of its 50% shareholding in Clover Asset Management to Beacon Holdings during the year. The movement in the investment in associate for the year can be analysed as follows:

	2010 \$	2009 \$
At beginning of year	1,034,883	1,435,615
Injections for the year	881,249	1,774,118
Share of loss for the period	--	(1,031,193)
Impairment loss recognised (Note 19)	--	(1,143,657)
Disposal	<u>(1,916,132)</u>	<u>--</u>
At end of year	<u>--</u>	<u>1,034,883</u>

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 9 Financial Assets - Available-For-Sale

	2010	2009
	\$	\$
Equities	7,681,952	7,033,789
Government bonds	3,088,304	4,733,772
Corporate bonds	2,629,487	6,097,145
Impairment loss recognised	<u>(2,623,161)</u>	<u>(2,175,353)</u>
	<u>10,776,582</u>	<u>15,689,353</u>

The movement in available-for-sale investments is summarised as follows:

At beginning of year	15,689,353	21,127,123
Additions	926,175	5,589,319
Disposals	(6,064,099)	(7,692,388)
Net fair value change for the year	672,961	(3,334,701)
Impairment loss recognised	<u>(447,808)</u>	<u>--</u>
At end of year	<u>10,776,582</u>	<u>15,689,353</u>

### 10 Financial Assets – Loans And Receivables

Mortgage loans	4,212,200	5,365,761
Amounts due from reinsurers	5,078,044	3,153,565
Amounts due from brokers	25,024,933	15,744,053
Amounts due from policyholders	<u>16,129,796</u>	<u>16,345,060</u>
	<u>50,444,973</u>	<u>40,608,439</u>
Current portion	49,130,331	38,081,627
Non Current portion	<u>1,314,642</u>	<u>2,526,812</u>
	<u>50,444,973</u>	<u>40,608,439</u>

### 11 Reinsurance Assets

Non-current	2,709,949	1,203,549
Current	<u>106,758,203</u>	<u>120,806,587</u>
Total assets arising from reinsurance contracts	<u>109,468,152</u>	<u>122,010,136</u>

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 12 Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 25%. The movement in the deferred income tax account is as follows:

	2010 \$	2009 \$
At beginning of year	(1,196,220)	1,069,044
Credit to consolidated statement of comprehensive income (Note 20)	(143,374)	(1,510,859)
Charge / (credit) to equity	<u>163,348</u>	<u>(754,405)</u>
At end of year	<u>(1,176,246)</u>	<u>(1,196,220)</u>

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to the same entity. The following amounts are shown on the statement of financial position:

Deferred income tax assets	(2,701,590)	(2,318,176)
Deferred income tax liabilities	<u>1,525,344</u>	<u>1,121,956</u>
	<u>(1,176,246)</u>	<u>(1,196,220)</u>

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Deferred income tax assets and liabilities and the deferred income tax charge in the consolidated statement of comprehensive income and equity are attributable to the following items:

	Balance as at 01.07.09 \$	Charge/(Credit) to Consolidated Statement of Comprehensive Income \$	Charge to Equity \$	Balance as at 30.06.10 \$
Deferred income tax liabilities:				
Fair value gains on available-for-sale securities	82,729	--	163,348	246,077
Retirement benefit asset	371,400	(1,517)	--	369,883
Accelerated tax depreciation	<u>667,827</u>	<u>241,557</u>	--	<u>909,384</u>
	<u>1,121,956</u>	<u>240,040</u>	<u>163,348</u>	<u>1,525,344</u>
Deferred income tax assets:				
Tax losses carried forward	(766,631)	(1,279,169)	--	(2,045,800)
Impairment provision	<u>(1,551,545)</u>	<u>895,755</u>	--	<u>(655,790)</u>
	<u>(2,318,176)</u>	<u>(383,414)</u>	--	<u>(2,701,590)</u>
Net deferred income tax liability	<u>(1,196,220)</u>	<u>(143,374)</u>	<u>163,348</u>	<u>(1,176,246)</u>

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 12 Deferred Income Taxes (Continued)

	Balance as at 01.07.09 \$	Charge/(Credit) to Consolidated Statement of Comprehensive Income \$	Charge to Equity \$	Balance as at 30.06.10 \$
Deferred income tax liabilities:				
Fair value gains on available-for-sale securities	837,134	--	(754,405)	82,729
Retirement benefit asset	320,251	51,149	--	371,400
Accelerated tax depreciation	575,474	92,353	--	667,827
	<u>1,732,859</u>	<u>143,502</u>	<u>(754,405)</u>	<u>1,121,956</u>
Deferred income tax assets:				
Tax losses carried forward	(119,977)	(646,654)	--	(766,631)
Impairment provision	(543,838)	(1,007,707)	--	(1,551,545)
	<u>(663,815)</u>	<u>(1,654,361)</u>	<u>--</u>	<u>(2,318,176)</u>
Net deferred income tax liabilities	<u>1,069,044</u>	<u>(1,510,859)</u>	<u>(754,405)</u>	<u>(1,196,220)</u>

### 13 Short Term Deposits

	2010 \$	2009 \$
(i) At banks	41,402,542	39,178,241
(ii) Supervisor of Insurance	2,251,620	2,481,620
(iii) Treasury bills	<u>45,672,000</u>	<u>33,879,000</u>
	<u>89,326,162</u>	<u>75,538,861</u>

The amounts included in (ii) above represent cash deposits with the respective Supervisors of Insurance held towards the Group's statutory deposits requirements. These deposits have an average effective interest rate of 2.40% (2009: 3.92%).

### 14 Share Capital

During the year, the Board of Directors approved the issuance of 27,000,000 ordinary shares at a value of \$1 to CGH Limited, a related party. The Group obtained a leasehold interest in land and buildings from CGH Limited as consideration for these shares. As at 30 June 2010, these shares have not yet been issued.

The Directors also approved a transfer of \$2 million from retained earnings to share capital during the year to increase the share capital of the Group. As at 30 June 2010, the shares have not been issued for this transfer.

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 14 Share Capital (Continued)

	2010 \$	2009 \$
Authorised		
Unlimited ordinary shares of no par value		
Issued and fully paid		
34,666,667 (2009 - 7,666,667) ordinary shares of no par value		
Balance at beginning of year	10,000,000	10,000,000
Transfer from retained earnings	2,000,000	--
Contributed capital	<u>27,000,000</u>	<u>--</u>
	<u>39,000,000</u>	<u>10,000,000</u>

### 15 Statutory Reserve

Balance at beginning of year	9,030,351	9,010,305
Transfer from consolidated statement of comprehensive income	<u>--</u>	<u>20,046</u>
Balance at end of year	<u>9,030,351</u>	<u>9,030,351</u>

As required by section 171 of the Insurance Act 1980 of Trinidad and Tobago, at least 25% of the Group's profit for the year on its general insurance business is to be appropriated towards a reserve until such reserve equals or exceeds the liability in respect of outstanding unexpired policies.

For the year ended 30 June 2010, the Group made a loss on its general insurance business and thus did not make a transfer to the statutory reserve in the current year.

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 16 Insurance Liabilities And Reinsurance Assets

	2010	2009
	\$	\$
<b>Insurance liabilities – gross</b>		
Short term insurance contracts		
Claims reported and loss adjustment expenses	93,854,897	89,583,827
Claims incurred but not reported	<u>28,910,032</u>	<u>24,304,505</u>
Total insurance claims liability	<u>122,764,929</u>	<u>113,888,332</u>
Unearned premiums	113,934,145	121,246,732
Unexpired risks provision	<u>3,777,745</u>	<u>3,473,097</u>
Total unearned premiums and unexpired risk liability	<u>117,711,890</u>	<u>124,719,829</u>
Long term insurance contracts		
- Annuities	1,098,885	739,556
- Term life	<u>715,076</u>	<u>301,092</u>
Total long term insurance contracts	<u>1,813,961</u>	<u>1,040,648</u>
<b>Total insurance liabilities – gross</b>	<u>242,290,780</u>	<u>239,648,809</u>
<b>Recoverable from reinsurers</b>		
Short term insurance contracts		
Claims reported and loss adjustment expenses	47,031,345	46,526,418
Claims incurred but not reported	<u>16,750,985</u>	<u>13,884,521</u>
<b>Total insurance claims recoverable</b>	<u>63,782,330</u>	<u>60,410,939</u>
Unearned premiums	<u>45,410,115</u>	<u>61,599,197</u>
Long term insurance contracts	<u>275,707</u>	<u>--</u>
<b>Total reinsurers' share of insurance liabilities</b>	<u>109,468,152</u>	<u>122,010,136</u>
<b>Insurance liabilities – net</b>		
Short term insurance contracts		
Claims reported and loss adjustment expenses	46,823,552	43,057,409
Claims incurred but not reported	<u>12,159,047</u>	<u>10,419,984</u>
Total insurance claims liability	<u>58,982,599</u>	<u>53,477,393</u>
Unearned premiums	68,524,030	59,647,535
Unexpired risks provision	<u>3,777,745</u>	<u>3,473,097</u>
Total unearned premiums and unexpired risk	<u>72,301,775</u>	<u>63,120,632</u>
Long term insurance contracts		
- Annuities	1,098,885	739,556
- Term life	<u>439,369</u>	<u>301,092</u>
	<u>1,538,254</u>	<u>1,040,648</u>
<b>Total insurance liabilities - net</b>	<u>132,822,628</u>	<u>117,638,673</u>
Current	121,120,603	107,221,809
Non-current	<u>11,702,025</u>	<u>10,416,864</u>
<b>Total insurance liabilities – net</b>	<u>132,822,628</u>	<u>117,638,673</u>

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 16 Insurance Liabilities And Reinsurance Assets (Continued)

#### 16.1 Assumptions, change in assumptions and sensitivity

##### (a) Development of claims

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The top half of each table below illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the statement of financial position. An accident year basis is considered to be most appropriate for the business written by the Group.

Accident year	2002	2003	2004	2005	2006	2007	2008	2009	2010	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Insurance claims - gross										
- at end of accident	24,297,054	26,648,538	31,113,696	122,627,089	56,056,884	39,392,787	77,670,432	86,756,486	103,859,565	
- one year later	22,434,295	23,061,379	28,551,248	114,693,994	44,149,836	27,787,420	62,607,760	58,975,229	--	--
- two years later	22,972,232	23,536,966	28,973,386	115,694,834	46,320,506	27,518,540	60,540,860	--	--	--
- three years later	23,184,362	23,821,232	28,355,873	116,100,505	35,432,675	27,158,485	--	--	--	--
- four years later	22,859,457	24,732,140	28,176,833	115,968,219	35,342,110	--	--	--	--	--
- five years later	23,525,251	25,881,172	28,240,489	116,514,035	--	--	--	--	--	--
- six years later	24,084,669	25,725,713	27,386,518	--	--	--	--	--	--	--
- seven years later	24,909,246	25,640,206	--	--	--	--	--	--	--	--
- eight years later	24,340,746	--	--	--	--	--	--	--	--	--
Current estimate of cumulative claims	24,340,746	25,640,206	27,386,518	116,514,035	35,342,110	27,158,485	60,540,860	58,975,229	103,859,565	479,757,754
Cumulative payments to date	(23,318,494)	(24,175,601)	(26,121,439)	(91,294,526)	(32,588,960)	(24,311,827)	(38,773,600)	(49,547,117)	(49,520,261)	(359,651,825)
Liabilities in respect of prior years	1,022,252	1,464,605	1,265,079	25,219,509	2,753,150	2,846,658	21,769,260	9,428,112	54,339,304	120,105,929
Total insurance claims liability - gross										<u>2,658,998</u>
										<u>122,764,929</u>

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

## 16 Insurance Liabilities And Reinsurance Assets (Continued)

## 16.1 Assumptions, change in assumptions and sensitivity (continued)

## (a) Development of claims (continued)

Accident year	2002	2003	2004	2005	2006	2007	2008	2009	2010	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Insurance claims – net										
- at end of accident	21,616,070	20,139,767	21,732,702	39,263,532	29,285,637	28,504,629	42,328,391	56,065,427	69,722,103	
- one year later	20,032,215	17,587,834	19,212,084	36,850,655	25,634,379	25,006,026	44,390,266	42,687,171	--	
- two years later	20,278,950	17,959,780	19,569,733	38,007,169	26,672,171	24,190,301	45,289,338	--	--	
- three years later	20,547,518	17,995,769	20,156,728	39,055,178	25,669,373	24,313,540	--	--	--	
- four years later	20,239,850	18,663,458	20,028,151	38,637,300	24,688,202	--	--	--	--	
- five years later	20,853,826	19,351,531	20,045,927	38,054,871	--	--	--	--	--	
- six years later	21,358,493	18,714,181	19,840,333	--	--	--	--	--	--	
- seven years later	20,290,352	18,911,422	--	--	--	--	--	--	--	
- eight years later	20,341,251	--	--	--	--	--	--	--	--	
Current estimate of cumulative claims	20,341,251	18,911,422	19,840,333	38,054,871	24,688,202	24,313,540	45,289,338	42,687,171	69,722,103	303,848,231
Cumulative payments to date	(20,259,841)	(18,061,871)	(18,587,633)	(35,279,228)	(22,854,085)	(22,117,063)	(30,585,036)	(36,318,591)	(41,901,856)	(245,965,204)
Liabilities in respect of prior years	81,410	849,551	1,252,700	2,775,643	1,834,117	2,196,477	14,704,302	6,368,580	27,820,247	57,883,027
										<u>1,099,572</u>
Total insurance claims liability – net										<u>58,982,599</u>

## Notes to the consolidated financial statements 30 June 2010 (Expressed in Trinidad and Tobago Dollars)

(continued)

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### 16 Insurance Liabilities And Reinsurance Assets (Continued)

#### 16.1 Assumptions, change in assumptions and sensitivity (continued)

##### (b) Process used to decide on assumptions

###### *Short Term Insurance Contracts*

The risks associated with these insurance contracts and in particular, with casualty insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. The Group uses historical data for trending and estimating the ultimate cost of claims. The basic technique involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. These factors are then applied to cumulative claims data to develop the estimated total claims for the ensuing year.

The Group reserves for property and casualty insurance claims immediately on the receipt of a claim incident report. The Group's policy is to establish realistic reserves based on available information and cost estimates. The policy is to ensure that the majority of claims are adequately reserved in the same accounting month in which they are reported and no later than thirty (30) days after the first report of loss.

Outstanding claim reserves are continuously re-evaluated based on new information and developments and the reserves are adjusted for accordingly.

###### *Long Term Insurance Contracts*

###### *Annuities*

These reserves are determined based on the fund balances for these contracts at the statement of financial position date.

###### *Term Life*

These reserves are valued using the gross premium valuation method which utilises assumptions regarding the rate of return on these contracts as well as mortality assumptions.

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 16 Insurance Liabilities And Reinsurance Assets (Continued)

#### 16.2 Movement in insurance liabilities and reinsurance assets

(a) Claims loss adjustment expenses

2010			2009			
Gross \$	Reinsurance \$	Net \$		Gross \$	Reinsurance \$	Net \$
<b>Year ended 30 June</b>						
89,583,827	(46,526,418)	43,057,409	Notified claims	96,355,500	(53,109,759)	43,245,741
<u>24,304,505</u>	<u>(13,884,521)</u>	<u>10,419,984</u>	Incurred but not reported	<u>19,239,400</u>	<u>(12,001,071)</u>	<u>7,238,329</u>
113,888,332	(60,410,939)	53,477,393	<b>Total at beginning of year</b>	115,594,900	(65,110,830)	50,484,070
			Cash paid for claims			
(63,622,817)	14,022,821	(49,599,996)	settled in year	(63,650,205)	18,934,028	(44,716,177)
<b>Increase/(decrease) in liabilities</b>						
103,859,565	(34,137,462)	69,722,103	- arising from current year claims	86,756,486	(31,300,600)	55,455,886
<u>(31,360,151)</u>	<u>16,743,250</u>	<u>(14,616,901)</u>	- arising from prior year claims	<u>(24,812,849)</u>	<u>17,066,463</u>	<u>(7,746,386)</u>
<u>122,764,929</u>	<u>(63,782,330)</u>	<u>58,982,599</u>	<b>Total at end of year</b>	<u>113,888,332</u>	<u>(60,410,939)</u>	<u>53,477,393</u>
93,854,897	(47,031,345)	46,823,552	Notified claims	89,583,827	(46,526,418)	43,057,409
<u>28,910,032</u>	<u>(16,750,985)</u>	<u>12,159,047</u>	Incurred but not reported	<u>24,304,505</u>	<u>(13,884,521)</u>	<u>10,419,984</u>
<u>122,764,929</u>	<u>(63,782,330)</u>	<u>58,982,599</u>	<b>Total at end of year</b>	<u>113,888,332</u>	<u>(60,410,939)</u>	<u>53,477,393</u>

(b) Provisions for unearned premiums and unexpired short-term insurance risks

<b>Year ended 30 June</b>			<b>Year ended 30 June</b>			
Unearned premium provision						
121,246,732	(61,599,197)	59,647,535	At beginning of year	116,691,904	(64,713,770)	51,978,134
113,934,145	(45,410,115)	68,524,030	Increase in the period	121,246,732	(61,599,197)	59,647,535
<u>(121,246,732)</u>	<u>61,599,197</u>	<u>(59,647,535)</u>	Release in the period	<u>(116,691,904)</u>	<u>64,713,770</u>	<u>(51,978,134)</u>
<u>113,934,145</u>	<u>(45,410,115)</u>	<u>68,524,030</u>	<b>At end of year</b>	<u>121,246,732</u>	<u>(61,599,197)</u>	<u>59,647,535</u>
Unexpired risk provision						
3,473,097	--	3,473,097	At beginning of year	5,118,812	--	5,118,812
3,777,745	--	3,777,745	Increase in the period	3,473,097	--	3,473,097
<u>(3,473,097)</u>	<u>--</u>	<u>(3,473,097)</u>	Release in the period	<u>(5,118,812)</u>	<u>--</u>	<u>(5,118,812)</u>
<u>3,777,745</u>	<u>--</u>	<u>3,777,745</u>	<b>At end of year</b>	<u>3,473,097</u>	<u>--</u>	<u>3,473,097</u>

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 17 Net Realised (Losses)/Gains on Financial Assets

	2010 \$	2009 \$
Realised losses on the disposal of available-for-sale financial assets	(138,630)	(1,733,404)
Fair value gains / (losses) on available-for-sale financial assets transferred from equity	<u>14,675</u>	<u>(68,301)</u>
	<u>(123,955)</u>	<u>(1,801,705)</u>

### 18 Insurance Claims And Loss Adjustment Expenses

	Gross \$	2010 Reinsurance \$	Net \$	Gross \$	2009 Reinsurance \$	Net \$
Current year claims and loss adjustment expenses	103,859,565	(34,137,462)	69,722,103	86,756,486	(31,300,600)	55,455,886
Prior year claims and loss adjustment expenses	<u>(31,360,151)</u>	<u>16,743,250</u>	<u>(14,616,901)</u>	<u>(24,812,849)</u>	<u>17,066,463</u>	<u>(7,746,386)</u>
	<u>72,499,414</u>	<u>(17,394,212)</u>	<u>55,105,202</u>	<u>61,943,637</u>	<u>(14,234,137)</u>	<u>47,709,500</u>

### 19 Other Operating and Administrative Expenses

	2010 \$	2009 \$
Staff Costs (See Note 21)	22,790,877	22,607,973
Depreciation	3,428,293	2,302,056
Advertising	4,500,356	5,274,661
Rent and utilities	8,766,948	7,123,483
Professional fees	3,053,937	2,751,319
Impairment loss recognised	447,808	1,143,657
Other miscellaneous expenses	<u>10,764,673</u>	<u>9,986,767</u>
	<u>53,752,892</u>	<u>51,189,916</u>

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 20 Taxation

	2010 \$	2009 \$
Current tax	2,253,633	2,725,951
Deferred income tax (Note 12)	(143,374)	(1,510,859)
Prior years over provision	<u>(105,536)</u>	<u>(55,046)</u>
	<u>2,004,723</u>	<u>1,160,046</u>

The Group's effective tax rate varies from the statutory rate of 25% as a result of the differences shown below:

Profit before taxation	<u>4,604,067</u>	<u>4,452,870</u>
Tax calculated at the rate of 25%	1,151,017	1,113,219
Effect of different tax rates in other countries	342,538	207,288
Income not subject to tax	(208,910)	(419,040)
Expenses not deductible for tax purposes	619,827	143,677
Business Levy	205,787	169,948
Prior year over provision	<u>(105,536)</u>	<u>(55,046)</u>
Tax charge	<u>2,004,723</u>	<u>1,160,046</u>

### 21 Staff Costs

Wages and salaries	21,948,222	22,049,667
National insurance	835,427	761,837
Net pension expense/(income) – defined benefit plan	<u>7,228</u>	<u>(203,531)</u>
	<u>22,790,877</u>	<u>22,607,973</u>
Average number of persons employed by the Group	<u>153</u>	<u>141</u>

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 22 Related Party Balances And Transactions

The Company is a subsidiary of CGH Limited. Beacon Holdings Limited and Clover Asset Management Limited are affiliated companies of The Beacon Insurance Company Limited. Beacon Holdings Limited and CGH Limited are incorporated in the Republic of Trinidad and Tobago. Clover Asset Management Limited is incorporated in the Cayman Islands.

The following are the transactions and balances with related parties:

	2010 \$	2009 \$
i) Leasing of equipment and premises	<u>880,208</u>	<u>2,181,725</u>
ii) Administrative services	<u>322,242</u>	<u>221,258</u>
iv) Key management compensation	<u>7,370,619</u>	<u>7,905,156</u>
iv) Amounts due to directors	<u>(304,159)</u>	<u>(26,468)</u>
v) Funds placed with affiliated company	<u>3,581,376</u>	<u>19,111,248</u>
vi) Issuance of share capital	<u>29,000,000</u>	<u>--</u>
vii) Proceeds from sale of investment in associate	<u>50,000</u>	<u>--</u>
viii) Prepaid lease rentals	<u>22,255,750</u>	<u>--</u>
ix) Leasehold Property	<u>8,000,000</u>	<u>--</u>
x) Interest on other loans	<u>98,104</u>	<u>135,814</u>

### 23 Dividend Per Share

The dividend paid in 2010 was \$ nil (2009: \$5,000,000). This represented a dividend per share of nil (2009: \$0.65)

## Notes to the consolidated financial statements 30 June 2010

(Expressed in Trinidad and Tobago Dollars)

(continued)

### 24 Commitments

	2010 \$	2009 \$
<b>(a) Capital commitments</b>		
The following were the capital commitments of the Group:		
Property development	--	1,897,344
Systems upgrade project	<u>2,878,362</u>	<u>3,502,555</u>
	<u>2,878,362</u>	<u>5,399,899</u>

### (b) Operating lease commitments – where the Group is the lessee

The Group leases car parks, vehicles and information technology systems under operating leases with varying terms, escalating clauses and renewal rights.

The future aggregate minimum lease payments are as follows:

No later than one year	989,358	3,220,112
Later than one year and no later than five years	<u>1,022,702</u>	<u>929,008</u>
	<u>2,012,060</u>	<u>4,149,120</u>

### 25 Contingent Liabilities

The Group has several legal matters pending relating to claims made on its insurance portfolio for which the ultimate cost of settling may be uncertain. These have been adequately provided for as insurance liabilities in the consolidated financial statements. The Group is also subject to other legal actions, the final outcome of which is uncertain. Based on legal advice received, management has concluded that no significant unrecognised liabilities are expected to crystallise.



