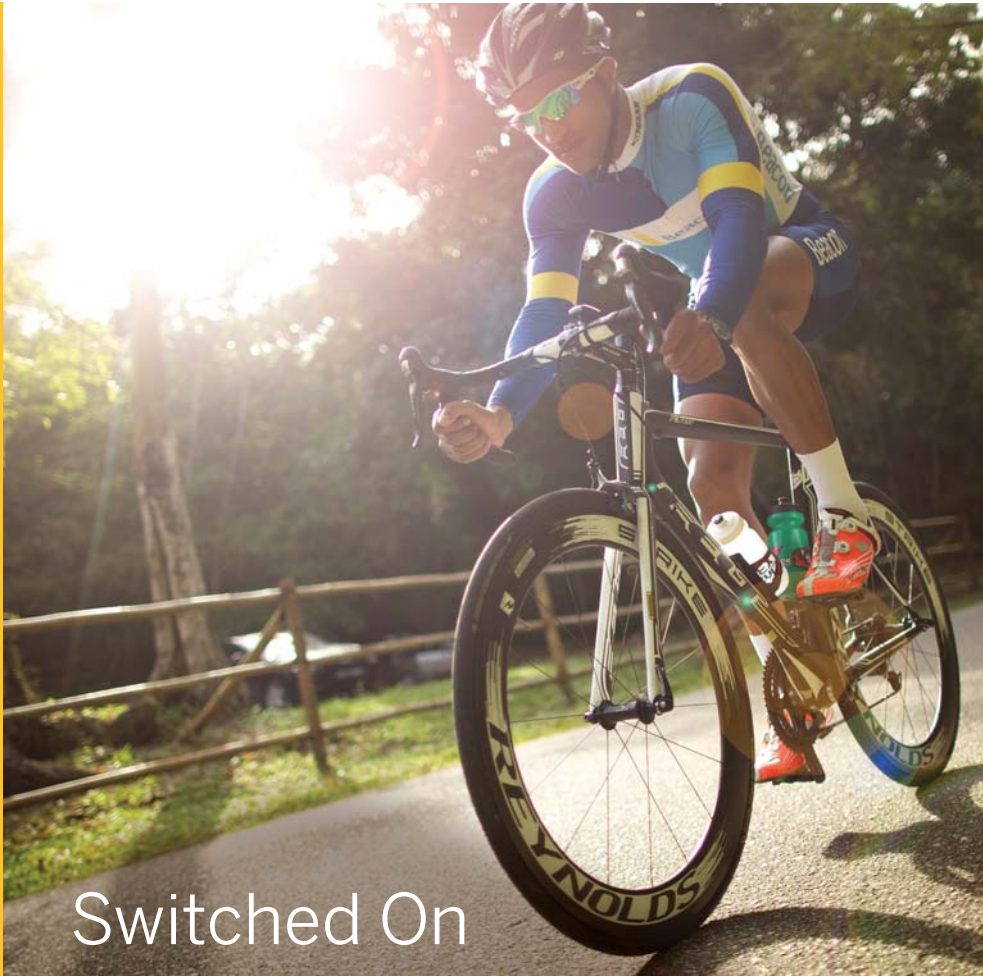




Beacon



Switched On

2011
ANNUAL REPORT



DEDICATED

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SMART



Vision

To become a performance driven and respected regional player in the insurance industry with strong brand recognition in all of the territories we serve.

Mission

To provide our employees and customers with a life-transforming experience that will help them achieve their goals and recover from setbacks through the compassionate delivery of our services.

Core Values

An informal but disciplined environment that is fair to all stakeholders, promotes business flexibility, encourages innovation and where promises are kept.

Core Attributes

Smart • Nimble • Different • Reliable • Dedicated • Valuable

Core Proposition

Switched On



Chief Executive Report

It gives me great pleasure to report on the performance of the company for the Financial Year ended June 30, 2011. Beacon experienced significant growth during the past decade, and the year under review was no exception.

Gross Premium Income increased from TT\$248 million in 2010 to TT\$280 million in 2011 and total assets also jumped by 7% to TT\$373 million. The company continues to take a conservative approach to managing its investments through active prudent portfolio management and ensuring compliance with the regulatory framework. Shareholders' Equity increased by 22% to TT\$75 million. Profit Before Tax quadrupled to TT\$16 million compared to the previous year despite high claims being incurred on our Marine Hull and Property Lines due to Hurricane Tomas. This increased profitability reflects the improvements in our underwriting and resultant reduction in the incurred loss ratio.

Current regional and international economic indicators point to a rather grey economic outlook and a possible new worldwide recession. If this materialises it could affect our already fragile Caribbean island states still in recovery from the last global financial institutions debacle. The year 2011 saw an unusual barrage of catastrophe shocks from the Japanese earthquakes and tsunamis to losses in Chile and New Zealand.

Indications are that the latest model used by RMS (RMS version 11 Cat Model) to calculate expected losses

that would be incurred in a catastrophe event may increase non proportional treaty prices for the 2012 renewals and raise Probable Maximum Loss (PML) levels on proportional programs, as Flood Surcharges and Warm Water factors have been introduced or increased.

Although most Reinsurers utilize their own proprietary modelling, many support the increased loss expectancies predicted by RMS 11. The recent global catastrophes combined with these modelling adjustments will undoubtedly have Reinsurers revaluating their current and prospective risks and rates for the Caribbean.

The region has embarked on an aggressive financial legislation upgrade. Beacon continues to work closely with our financial regulators and supports most of the amendments to the Governance and Insurance Legislation. For example, the planned introduction of Risk Based Capital and the rigorous compliance and internal audit procedures have dictated the injection of new capital to Beacon's Balance Sheet and the formation of a unit dedicated to compliance and internal audit.

Anti-Money Laundering and Anti-Terrorism Legislation has dramatically altered the financial landscape and

therefore compels financial institutions to implement stringent measures to assist in the country's efforts to combat these crimes. Beacon is committed to this role and to this end we have exposed our employees to specialized training and 'best practice' in order to maintain our position in the industry.

From an operational standpoint, our strategic focus is embodied in our company's mission "to provide our employees and customers with a life-transforming experience that will help them achieve their goals and recover from setbacks through the compassionate delivery of our services." Accordingly, our organizational structure is built around our customer segments and is supported by a modernized Insure 90 policy administration system that interfaces with a workflow system, LANSA. This has made possible, digital work flow and document management systems that allow us to have complete visibility and control of how documents and work progress through the organization, regardless of where it originates.



Gross Premium Income increased from TT\$248 million in 2010 to TT\$280 million in 2011

Beacon's Corporate Social Responsibility continues to centre on sports, charities and education. Most notably across the territory we are involved in events ranging from Adventure Racing and Cycling in Trinidad to Circuit Racing in Barbados, Women's Football in Grenada and St. Vincent's National Womens' Cricket and National Squash Teams. Beacon also sponsors a Texas Golf Tournament the proceeds of which are donated to the Living Water Community, a charitable organization in Trinidad and Tobago.

During the financial year we were also preparing the launch of our new corporate image, the design of which is intended to convey respect for our past achievements while simultaneously reflecting how we have evolved. The lighthouse and the guidance it provides, has been maintained but the image is a stronger, more modernized representation of our promise. The logo was modelled after the Chacachacare lighthouse in Western Trinidad, one of the highest in the world, and which was used by navigators between Trinidad and Grenada for centuries. The new design was our way of condensing everything that is positive and strong about Beacon into a concise symbol of pride.

At the time of writing this report we would have lost the expertise of Mr. David Gonzalez who passed away on August 30, 2011 after 13 years of service as the Corporate Secretary for Beacon. Mr. Gonzalez had been with the company for over 30 years as he had joined our predecessor, Caribbean Insurance Company Limited in 1980 in the same capacity. I would like to remember David for his diligence, devotion and loyalty to Beacon during his years with us.

We were also saddened by the passing of Mr. Kenneth Ayoung-Chee. Having been appointed to the Board of Directors of Beacon just three months prior to his death in January 2012, Mr. Ayoung-Chee has already made a significant contribution to the company.

The Board of Directors of Beacon is proud to welcome two new Directors - Mr. Robert Mowser, Deputy Chief Executive and Mr. Christopher Woodhams, Chief Information Officer. These gentlemen have performed with excellence; Robert guided us through the Change Management and Strategic Initiatives and Christopher spearheaded the development of our technology platform which is a key enabler in our business processes. These appointments will further strengthen the Board and enable us to give astute direction to management and staff, which is so necessary in these critical times.

I would like to express my appreciation to the Directors, Management, Staff and Policy-holders for staying the long course and having faith in Beacon which will continue to shine brightly in the face of uncertainty.



Gerald S. Hadeed



The new design was our way of condensing everything that is positive and strong about Beacon into a concise symbol of pride."

RELIABLE



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 Bro-

kers 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 petro-chemical 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).



ROBERT MOWSER
Deputy Chief Executive

Robert Mowser began his career at The Beacon in 2007 with his appointment to the position of VP, Corporate Services and later Chief Operating Officer in 2009.

Mr. Mowser brings several years of experience and knowledge of the insurance and reinsurance business acquired during his tenure with major local and international Insurance Brokers. Mr. Mowser is a Chartered Insurer, having obtained his ACII designation from the Chartered Insurance Institute in London and holds a Masters of Business Administration from the University of the West Indies.



LINDSAY GONSALVES
Director/Chief Financial Officer

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.



CHRISTOPHER WOODHAMS
Director/Chief Information Officer

Christopher Woodhams' career in Information Technology began in 1990 after he had obtained his BSc in Computer Science from Nottingham University in the UK. He joined The Beacon in 1996 as a Systems Administrator and was appointed VP, Information Systems in 2006. Christopher is a Director of North-

west Premium Finance Limited, Beacon Finance Limited, The Beacon Technology Company Limited, Secure Plus Limited and Health Care Technologies Limited.



ROGER HAMEL-SMITH
Director/General Counsel

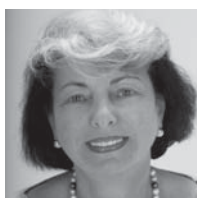
Roger Hamel-Smith was appointed to the Board of Directors of The Beacon Insurance Company Limited in 2009. He has had a distinguished legal career spanning over 40 years and has served as the Chief Justice of Trinidad and Tobago on several occasions the longest being a period of fourteen months between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



CHRISTIAN HADEED

Director/Senior Operations Executive

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.



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, Canada and the Bahamas. She also worked with the Roy West Banking Group of Companies in the Bahamas.



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.

Corporate Information

EXECUTIVE MANAGEMENT TEAM

Robert Mowser MBA, ACII	Deputy Chief Executive
Lindsay Gonsalves FCCA, CA	Chief Financial Officer
Christopher Woodhams BSC, HND	Chief Information Officer
Christian Hadeed BBA	Senior Operations Executive
Gordon Gatt	VP Group Services
Adlyne Griffith MBA	VP Corporate Services
Brian Hennis BSC, MBA	VP Overseas Operations
Derek Kanhai ACII, CI	VP Technical Operations
Renato Lezama ARM, AIS	VP Trinidad Operations

CORPORATE SECRETARY

Anouk Lee Wo-Mollenthien

REGIONAL MANAGEMENT

Judy Elliot	Branch Manager, Barbados
Molly Roberts	Branch Manager, Grenada
Joralia St. Louis	Branch Manager, St Lucia
Keith Boyea DIP, BA	Agency Manager, St Vincent
Gary DaSilva	Agency Manager, St Kitts & Nevis
Andy Joseph	Agency Manager, Dominica

CONSULTANT

Bertrand H Doyle HBM, ACII, ACI Arb

BANKERS

Barbados

FirstCaribbean International Bank (Barbados) Ltd.
Barbados National Bank Inc.

Commonwealth of Dominica

National Commercial Bank of Dominica
RBC Royal Bank Ltd.
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.
RBC Royal Bank Ltd.
First Citizens Bank Ltd.

AUDITOR

PricewaterhouseCoopers

ATTORNEYS-AT-LAW

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

REINSURERS

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

REINSURANCE BROKERS

Aon Benfield

INSURANCE AGENTS

Gordan Gatt Jr.	(t) +1 868 724 7602
Jo Anne Theodore	(t) +1 868 489 7081
Karen Doyle-Lamont	(t) +1 868 750 0019
Kenwyn Supersad	(t) +1 868 684 6711
Geeta Rampersad	(t) +1 868 620 3339
Michael Balloo	(t) +1 868 688 9112
Michael Phillips	(t) +1 868 687 7223
Narindra Ramcharitar	(t) +1 868 348 4141
Randolph Lee Pack	(t) +1 868 799 7706
Roodal Permanand	(t) +1 868 625 1112
Susan Lennard	(t) +1 868 298 8575
Vindra Ramkissoon	(t) +1 868 290 0834



POS CENTRAL GAMES



ANNUAL NATIONAL AMATEUR
GYMNASTICS INVITATIONAL



CIRCUIT RACING



GRENADA WOMEN'S FOOTBALL

Community Involvement

A true measure of success is the impact a company makes on society and the community in which it operates.

At Beacon we hold this philosophy dear which is why every attempt is made to enrich and enhance the lives of those around us through the creation of opportunities for development and growth. In the words of Sir Winston Churchill, "We make a living by what we get; we make a life by what we give."

Here's a quick look at some of the outstanding people and events we have had the privilege of being involved with in 2011...

CYCLING

We believe that sport has the power to transform not only bodies, but minds and attitudes, and we've proven that with our long-term in-

vestment in cycling. Having nurtured the sport through its infancy, we have helped to bring it to a level where our races are internationally recognised. Beacon sponsors a wide range of cycling events each year, of which the flagship event is Beacon Trinidad and Tobago Cycling Festival, an exciting, nail-biting race that has become a staple of the international sports calendar, featuring participants from across the globe, including Argentina, Canada, South Africa, Italy, the United States – and, of course, the Caribbean!

Beacon also has its own cycling team, Team Beacon, comprising sponsored individual athletes Christopher Selli-

er. This powerhouse of cycling talent has been doing both country and company proud for years. All three have achieved podium medals and broken world records at international events, and seem to be getting better and better with each race!

A wonderful ripple effect of their performance is that more and more children are determined to follow in the footsteps of their role models. We have sought to harness this enthusiasm through Beacon's Cycle Smart Program which teaches kids as young as three years old about road safety and handy techniques for riding their bicycles and tricycles.



NJISANE PHILLIP



JASON COSTELLOE



CHRISTOPHER SELLIER



QUINCY ALEXANDER

GYMNASTICS

Beacon has been a longstanding supporter of the Beacon Annual National Amateur Gymnastics Invitational. We are tremendously inspired by the spirit and tenacity of these young athletes as they exhibit an extraordinary level of strength and focus while maintaining their elegance and poise – a wonderful life lesson for us all!

GAME FISHING

There are few sports as exciting as game fishing: communing with nature while battling it out with kings of the ocean – and fellow anglers – really gets the adrenaline rushing! Beacon is proud to sponsor many of the Trinidad and Tobago Game Fishing Association's events throughout the year, including the Wahoo and Junior Anglers' Tournament. The Grenada Fishing Tournament is one of the most exciting and competitive in the region. Anglers throughout the

Caribbean sail to Grenada for this electrifying event and we'll forever be cheering Christian Hadeed, one of our Directors, who always takes part in the quest for the biggest fish!

FOOTBALL

Football is an essential part of the Caribbean lifestyle. Apart from our very own Beacon Football Club, we support various tournaments including the Beacon Experience Football Tournament and the famous Eight-A-Side Queen's Park Oval Tournament. In Grenada, Beacon's Under 18 Women's Football Tournament brings together hordes of screaming fans who come to get a glimpse of some of the country's young talented girls whose skill even rivals some of the local male clubs in the region.

CIRCUIT RACING

We have a need for speed – which may be one of the reasons that we

support Beacon's Carnival of Speed Car Rally, held at the Bushy Park Racing Circuit in Barbados. It was excitement galore as the nail-biting finishes, action-packed collisions and one or two close shaves kept spectators eyes riveted to the race course – thousands of motor racing fans of all ages turned out to witness the fast and furious driving that is the hallmark of an exhilarating rally.

ADVENTURE RACING

New on Beacon's sports scene is adventure racing which seems to have taken off in Trinidad in recent years and our team 'Beacon Trailblazers' participates in the annual Fusion Adventure Race. Additionally, our very own sponsored athletes, Jason Costelloe and Rishi Ramlalack, have participated in numerous gruelling races that test physical and mental strength and truly separate the men from the boys. From running to rid-



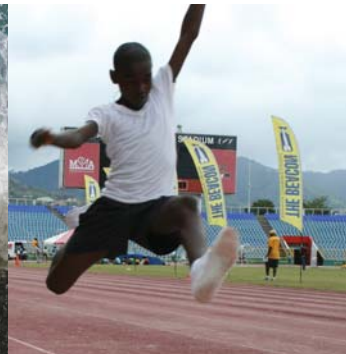
GAME FISHING



FOOTBALL



SURFING



POS CENTRAL TRACK & FIELD GAMES

ing to kayaking, it's a cross country adventure from the word "go".

TRACK AND FIELD

Another new addition is Beacon POS Central Track and Field Games. This annual track and field event for primary schools in the Port-of-Spain area is held at the Hasley Crawford Stadium. With over 1,600 students participating in the march past, long jump and an array of track races, this event showcases the teamwork and potential of our future leaders.

FITNESS

In St Lucia, Beacon supports The Wave Fun Walk & Burn. This public event brings together hundreds of friends, family, and co-workers in a healthy activity.

SURFING

This is one of the niche sports that, as a regional company, Beacon is

committed to developing. Surfing marries the beauty of our coastlines with the drive and creativity of our Caribbean spirit! So when Surfing T&T brought some of the most highly ranked international surfers from Australia, Barbados, Jamaica and the United States to compete with our local talent, Beacon was excited to be involved in an event so full of style, elegance and yes, fierce competition.

SWIMMING

In keeping with the water theme Beacon is also involved in the sport of swimming, sponsoring the annual Secondary Schools Meet, which garners tremendous support from the athletes' families and friends. The Meet hosts races for children from eleven to nineteen years old, each within their age category, and allows them to compete against one another – and the clock – for the fastest times. It's a compelling spectator

sport that tests both mind and body... and allows Beacon to make a splash!

The diverse range of sports that we sponsor is close to our heart, and we stand by our commitment to continue supporting positive activities wherever and whenever we can.



We believe that sport has the power to transform not only bodies, but also minds and attitudes, and we've proven that with our long-term investment in cycling."

A photograph of a sunset or sunrise seen through the dark, silhouetted branches of large trees. The sun is a bright, glowing orb partially obscured by the foliage, creating a warm, golden light that filters through the leaves. Several large, out-of-focus lens flare circles are visible in the foreground, adding a dreamy, atmospheric quality to the image.

VALUABLE

Consolidated Financial Statements

30 June 2011

Independent Auditor's Report

To the Shareholders of The Beacon Insurance Company Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Beacon Insurance Company Limited ('the Company') and its Subsidiary (together 'the Group') which comprise the consolidated statement of financial position as at 30 June 2011 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the Consolidated Financial Statements

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

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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 30 June 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



PricewaterhouseCoopers

24 November 2011

Port of Spain,

Trinidad, West Indies

Consolidated Statement of Financial Position

(Expressed in Trinidad and Tobago Dollars)

		As at 30 June	
	Notes	2011 \$	2010 \$
ASSETS			
Property, plant and equipment	5	36,043,409	34,712,907
Prepaid lease rentals	6	21,937,811	22,255,750
Retirement benefit asset	7	1,511,951	1,479,540
Financial assets - available-for-sale	8	59,186,738	10,776,582
- loans and receivables	9	60,880,928	50,444,973
Reinsurance assets	10	110,818,807	109,468,152
Deferred income tax assets	11	2,380,134	2,701,590
Other assets		1,288,338	1,547,274
Taxation recoverable		2,339,469	2,054,331
Short term deposits	12	55,318,196	89,326,162
Cash and cash equivalents – cash in hand and in bank		<u>21,495,177</u>	<u>21,268,497</u>
Total Assets		<u>373,200,958</u>	<u>346,035,758</u>
SHAREHOLDERS' EQUITY			
Share capital	13	39,000,000	39,000,000
Statutory reserve	14	10,312,446	9,030,351
Retained earnings		23,301,831	13,009,292
Fair value reserve		<u>2,895,058</u>	<u>738,232</u>
Total Shareholders' Equity		<u>75,509,335</u>	<u>61,777,875</u>
LIABILITIES			
Insurance liabilities	15	249,471,663	242,290,780
Financial liabilities			
- Bank overdraft		141,685	--
Reinsurance payable		27,131,674	25,496,979
Trade and other payables		15,195,086	12,957,803
Deferred income tax liabilities	11	2,251,588	1,525,344
Taxation payable		<u>3,499,927</u>	<u>1,986,977</u>
Total Liabilities		<u>297,691,623</u>	<u>284,257,883</u>
Total Equity and Liabilities		<u>373,200,958</u>	<u>346,035,758</u>

The notes on pages 18 to 62 form an integral part of these consolidated financial statements.

On 23 November 2011, 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	
		2011	2010
		\$	\$
Insurance premium revenue		280,233,137	248,160,893
Insurance premium ceded to reinsurers		<u>(144,970,573)</u>	<u>(129,253,059)</u>
Net premium written		135,262,564	118,907,834
Change in gross unearned premium reserves		(13,166,998)	7,007,937
Change in unearned premium reserves due to reinsurers		<u>3,917,009</u>	<u>(16,189,082)</u>
Net insurance premium revenue		126,012,575	109,726,689
Investment income		4,151,454	4,847,171
Commissions received on reinsurance contracts		29,922,588	29,232,037
Net realized losses on financial assets	17	249,537	(123,955)
Loss on disposal of investment in associate		--	(1,866,132)
Foreign exchange gains		<u>425,496</u>	<u>989,681</u>
Net income		<u>160,761,650</u>	<u>142,805,491</u>
Insurance benefits on long term contracts		(384,909)	(773,310)
Insurance benefits on long term contracts recovered from reinsurers		30,375	275,707
Insurance claims and loss adjustment expenses	18	(84,956,160)	(72,499,414)
Insurance claims and loss adjustment expenses recovered from reinsurers	18	<u>29,926,264</u>	<u>17,394,212</u>
Net insurance benefits and claims		(55,384,430)	(55,602,805)
Expenses for the acquisition of insurance contracts		(30,137,732)	(28,235,914)
Other operating and administration expenses	19	<u>(58,321,298)</u>	<u>(53,752,892)</u>
Expenses		<u>(143,843,460)</u>	<u>(137,591,611)</u>
Operating Profit		16,918,190	5,213,880
Finance costs		<u>(631,560)</u>	<u>(609,813)</u>
Profit before tax		16,286,630	4,604,067
Taxation	20	<u>(4,543,996)</u>	<u>(2,004,723)</u>
Profit for the year attributable to the parent company shareholders		<u>11,742,634</u>	<u>2,599,344</u>
Other Comprehensive Income:			
Net change in fair value on available-for-sale financial assets		<u>2,156,826</u>	<u>490,046</u>
Other comprehensive income for the year, net of tax		2,156,826	490,046
Total comprehensive income for the year attributable to the parent company shareholders		<u>13,899,460</u>	<u>3,089,390</u>

The notes on pages 18 to 62 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 \$
Year Ended 30 June 2011						
Balance at 1 July 2010		39,000,000	9,030,351	738,232	13,009,292	61,777,875
Total comprehensive income for the year:						
Profit for the year		--	--	--	11,742,634	11,742,634
Other comprehensive income:						
Fair value gains transferred to income on disposal of available-for-sale financial assets		--	--	--	--	--
Net change in fair value on available-for-sale financial assets, net of tax		--	--	2,156,826	--	2,156,826
Transfer to statutory reserve	14	--	1,282,095	--	(1,282,095)	--
Total other comprehensive income		--	1,282,095	2,156,826	(1,282,095)	2,156,826
Transactions with owners:						
Dividends paid		--	--	--	(168,000)	(168,000)
Balance at 30 June 2011		39,000,000	10,312,446	2,895,058	23,301,831	75,509,335
Year Ended 30 June 2010						
Balance at 1 July 2009		10,000,000	9,030,351	248,186	12,409,948	31,688,485
Total comprehensive income for the year:						
Profit for the year		--	--	--	2,599,344	2,599,344
Other comprehensive income:						
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	14	--	--	--	--	--
Total other comprehensive income		--	--	490,046	--	490,046
Transactions with owners:						
Contributed capital	13	27,000,000	--	--	--	27,000,000
Transfer from retained earnings	13	2,000,000	--	--	(2,000,000)	--
Balance at 30 June 2010		39,000,000	9,030,351	738,232	13,009,292	61,777,875

The notes on pages 18 to 62 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

(Expressed in Trinidad and Tobago Dollars)

	Year Ended 30 June	
	2011	2010
	\$	\$
Operating Activities		
Profit before taxation	16,286,630	4,604,067
Adjustment For		
Depreciation	4,119,763	3,428,293
Change in retirement benefit asset	(32,411)	6,067
Amortisation of prepaid lease rentals	317,939	--
Loss on disposal of property, plant and equipment	520,437	25,613
Dividend income	(261,302)	(210,994)
Interest income	(2,195,386)	(4,890,110)
Interest expense	631,560	609,814
Impairment loss recognised	573,091	447,808
Loss on disposal of investment in associate	--	1,866,132
Foreign exchange gains	(425,496)	(989,681)
(Gain)/ loss on disposal of financial assets	<u>(249,537)</u>	<u>123,955</u>
	19,285,288	5,020,964
Net increase in loans and receivables	(10,435,955)	(10,047,735)
Net (increase) /decrease in reinsurance assets	(1,350,655)	12,541,984
Net decrease in other assets	720,165	1,084,975
Net decrease/(increase) in short term deposits	34,007,966	(13,787,301)
Net increase in insurance contracts	7,180,883	2,641,971
Net increase in reinsurance payable	2,060,191	12,031,124
Net increase/(decrease) in trade and other payables	2,237,283	(836,984)
Taxes paid	<u>(2,987,427)</u>	<u>(2,935,192)</u>
Net Cash Flow from Operating Activities	<u>50,717,739</u>	<u>5,713,806</u>
Investing Activities		
Purchase of property, plant and equipment	(6,262,364)	(12,410,409)
Proceeds from disposal of property, plant and equipment	291,662	169,027
Injection into investment in associate	--	(881,249)
Interest paid	(631,560)	(609,814)
Dividend received	261,302	210,994
Interest received	1,734,157	4,748,974
Proceeds from disposal of investment in associate company	--	50,000
Purchase of available-for-sale financial assets	(46,723,994)	(926,175)
Proceeds from disposal of available-for-sale financial assets	<u>866,053</u>	<u>5,920,576</u>
Net Cash Flow From Investing Activities	<u>(50,464,744)</u>	<u>(3,728,076)</u>
Financing Activities		
Dividends paid	<u>(168,000)</u>	<u>--</u>
Net Cash Flow from Financing Activities	<u>(168,000)</u>	<u>--</u>
Increase in Cash and Cash Equivalents	84,995	1,985,730
Cash and Cash Equivalents		
At start of year	<u>21,268,497</u>	<u>19,282,767</u>
At end of year	<u>21,353,492</u>	<u>21,268,497</u>
Represented By:		
Cash at bank and in hand	21,495,177	21,268,497
Bank overdraft	<u>(141,685)</u>	<u>--</u>
	<u>21,353,492</u>	<u>21,268,497</u>

The notes on pages 18 to 62 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

1 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, St. Kitts and St. Lucia. The Company's ultimate parent company is CGH Limited which 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 2010 and were adopted by the Group in the current year.

- IAS 1 (amendment), 'Presentation of financial statements' (effective 1 January 2010). The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. The amendment did not have any significant impact on the Group's financial statements.
- 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 did not have any significant impact on the Group's financial statements.
- IAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics). The amendment did not have any significant impact on the Group's financial statements.

Notes to the consolidated financial statements (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

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, 'Business Combinations', effective 1 July 2010.

- a) Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS.

Clarifies that the amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 32, 'Financial instruments: Presentation', and IAS 39, 'Financial instruments: Recognition and measurement', that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

- b) Measurement of non-controlling interests.

The choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by IFRS.

- c) Un-replaced and voluntarily replaced share-based payment awards.

The application guidance in IFRS 3 applies to all share-based payment transactions that are part of a business combination, including un-replaced and voluntarily replaced share-based payment awards.

This did not have any significant impact on the Group's financial statements.

- IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments', effective 1 July 2010. 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. This did not have any significant impact on the Group's 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 financial statements

The following standards are mandatory for accounting periods beginning on or after 1 January 2010, but they are not relevant to the Group's operations:

- IFRS 2 (Amendment), Group cash-settled share-based payment transactions, (effective 1 January 2010).

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning after 1 January 2011 but have not been early adopted by the Group:

- IFRS 13, 'Fair value measurement' (effective 1 January 2012), aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are

Notes to the consolidated financial statements (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)**2.1 Basis of preparation (continued)**

largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group is yet to assess IFRS13's full impact.

- (iii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued).
- IFRS 12 (effective 1 January 2013), 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact.
 - IFRS 10 (effective 1 January 2013), Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact.
 - IFRS 9, 'Financial instruments' (effective 1 January 2013). IFRS 9 addresses classification and measurement of financial assets and is available for early adoption immediately. IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The Group is currently assessing the impact of this standard on the financial statements.
 - IAS 24 (Amendment), 'Related party disclosures'. (effective from 1 January 2011). The amendment relaxes the disclosures of transactions between government- related entities and clarifies related-party definition. The amendment is not expected to have a significant impact on the Group's financial statements.
 - IAS 19, 'Employee benefits' was amended in June 2011. The impact on the Group will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Group is yet to assess the full impact of the amendments.
 - 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 financial statements.

- (iv) Standards, amendments and interpretations to existing standards that are not yet effective and are not relevant to the Group's operations

The following standards, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2011 but are not relevant to the Group's operations:

- IFRS 1, 'First Time Adoption of International Financial Reporting Standards – Limited exemption from comparative IFRS 7 disclosures for first time adopters', effective 1 July 2011.

Notes to the consolidated financial statements (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)**2.1 Basis of preparation (continued)**

- IFRS 1, 'First Time Adoption of International Financial Reporting Standards', effective 1 January 2011.
- IFRIC 13, (Amendment), 'Customer Loyalty Programmes', effective 1 January 2011.

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. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method 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 to the former owners of the acquiree 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the consolidated financial statements (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

2 Summary of Significant Accounting Policies (Continued)**2.2 Consolidation (continued)**

- (b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

- (c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Foreign currency translation

- (i) **Functional and presentation currency**

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group 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 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.

- (iii) **Foreign Branch operations**

The results and financial position of all the branches (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

Notes to the consolidated financial statements (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

2 Summary of Significant Accounting Policies (Continued)**2.3 Foreign currency translation (continued)**

(c) all resulting exchange differences are recognised 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.

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 profit or loss for the year.

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 2.8 (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.

Notes to the consolidated financial statements (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)**2.5 Financial assets (continued)**

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 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 statement of comprehensive income. Dividends on the available-for-sale equity instruments are recognized in the 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.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as 'net realized gains or losses on financial assets'.

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.

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

Notes to the consolidated financial statements (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)**2.6 Impairment of assets (continued)****a) Financial assets carried at fair value (Continued)**

recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not subsequently reversed. The impairment loss is reversed through the 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 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 statement of comprehensive income.

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).

Notes to the consolidated financial statements (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)**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 financial risk with no significant 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 of property and casualty insurance contracts and short term life 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.

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.

Notes to the consolidated financial statements (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)**2.8 Insurance contracts (continued)****a) Recognition and measurement (continued)**

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.

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

Notes to the consolidated financial statements (Continued)

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(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)**2.8 Insurance contracts (continued)****b) Liability adequacy test (continued)**

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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be

Notes to the consolidated financial statements (Continued)

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(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)**2.9 Borrowings (Continued)**

drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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 33% applicable on the respective taxable profit for the year arising in each of the Caricom States in which the Group operates.

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 asset recognised in the consolidated statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair 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.

Notes to the consolidated financial statements (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)**2.11 Employee benefits (continued)***Defined Benefit Plan (continued)*

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.

Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

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.

Notes to the consolidated financial statements (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)**2.14 Dividend distribution**

Dividend distribution to the Company'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 in which 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 (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and 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. Transfers to share capital for which shares have not yet been issued are reflected as contributed capital.

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.

2.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.20 Commissions paid

The Group pays commissions to its agents or brokers based on rates agreed with the respective party. These are reflected as expenses for the acquisition of insurance contracts' in the statement of comprehensive income.

Notes to the consolidated financial statements (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

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 Estimates 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 \$ 4,479,788 (2010:\$ 4,692,745) and a fall in profit before tax of \$ 2,285,649 (2010:\$ 2,341,178).

(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 \$ 109,944 (2010: \$90,698) and a fall in profit before tax of \$ 94,639 (2010: \$76,913).

(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 \$ 1,339,908 (2010:\$ 1,445,502) and a fall in profit before tax of \$ 474,766 (2010: \$607,952).

(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 \$6,332,167 (2010:\$ 5,696,707) and a fall in profit before tax of \$3,865,811 (2010:\$ 3,426,201).

3.2 Impairment of loans and receivables

The Group assesses at the year end whether its loans and receivables 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 \$426,458 (2010:\$463,881).

Notes to the consolidated financial statements (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

3 Critical Accounting Estimates And Judgments In Applying Accounting Policies (Continued)**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 \$ 2,667,001 (2010: \$290,666).

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 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.

Notes to the consolidated financial statements (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

4 Management Of Insurance And Financial Risk (Continued)**4.1.1 Motor, casualty and property insurance risks (continued)**

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 counter-party 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:

Sum insured as at 30 June 2011 (all amounts in Trinidad and Tobago \$)

Type of Business	Trinidad	Barbados	Dominica	Grenada	St. Lucia	St Vincent	St. Kitts
Motor and casualty	2,894,678,653	143,526,840	123,620,474	235,771,708	135,962,464	125,031,438	37,020,846
Property	9,758,407,222	1,539,982,372	834,794,898	1,215,637,713	687,317,529	492,196,431	163,703,710
Totals	12,653,085,785	1,683,509,212	958,415,372	1,451,409,421	823,279,993	617,227,869	200,724,556

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

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
Totals	15,192,391,914	1,399,655,485	990,183,361	1,432,760,849	895,331,115	666,252,166	183,993,147

The sums insured noted above do 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 motor and casualty reinsurance treaty. All claims under litigation are separately monitored by the executive management team and subject to periodical reviews with legal representatives.

Notes to the consolidated financial statements (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

4 Management Of Insurance And Financial Risk (Continued)**4.1.1 Motor, casualty and property insurance risks (Continued)****ii) Sources of uncertainty in the estimation of future claim payments (Continued)**

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 \$3,731,865 (2010:\$3,498,602).

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.

An increase of 5% in the cost of settling property claims would increase the liabilities due under these insurance contracts for the year by \$1,964,190 (2010:\$1,194,143).

Note 15 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 contract 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

Notes to the consolidated financial statements (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

4 Management Of Insurance And Financial Risk (Continued)**4.2 Financial risk (continued)****4.2.1 Credit risk (continued)**

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 and corporate bonds with reputable financial institutions.

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 from the prior year in the Group's objectives, policies or procedures for managing credit risk.

(i) Assets bearing credit risk

Below is an analysis of assets bearing credit risk:

As at 30 June 2011

	Neither past due nor impaired \$	Past due but not impaired \$	Impaired \$	Total \$
Financial Assets				
- debt securities	52,104,032	--	--	52,104,032
- gross loans and receivables	27,836,282	33,044,646	8,226,937	69,107,865
Less provision for doubtful debts	--	--	(8,226,937)	(8,226,937)
Reinsurance Assets	110,818,807	--	--	110,818,807
Other Assets	941,907	346,431	302,217	1,590,555
Less provision for doubtful debts	--	--	(302,217)	(302,217)
Short term deposits	55,318,196	--	--	55,318,196
Cash and Cash Equivalents	21,495,177	--	--	21,495,177
Total	268,514,401	33,391,077	--	301,905,478

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	21,268,497	--	--	21,268,497
Total	254,016,881	23,755,968	--	277,772,849

Notes to the consolidated financial statements (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

4 Management Of Insurance And Financial Risk (Continued)**4.2 Financial risk (continued)****4.2.1 Credit risk (continued)**

The Group currently holds collateral in the sum of \$1,616,981 (2010: \$1,616,981) as security for its loans issued. 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.

(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 2011

	30 – 60 Days \$	Between 60– 90 Days \$	Over 90 days \$	Total \$
Financial Assets				
- loans and receivables	19,042,280	12,030,363	1,971,803	33,044,446
Other assets	346,631	--	--	346,631
Total	19,388,911	12,030,363	1,971,803	33,391,077

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	1,064,311	--	--	1,064,311
Total	13,491,925	8,618,126	1,645,917	23,755,968

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

	2011 \$	2010 \$
At beginning of year	9,277,625	5,241,612
Increase/(decrease) in provision for the year	(748,471)	4,036,013
At end of year	<u>8,529,154</u>	<u>9,277,625</u>

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

Notes to the consolidated financial statements (Continued)

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(Expressed in Trinidad and Tobago Dollars)

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 2011

	Trinidad and Tobago	Barbados	Eastern Caribbean	Total
	\$	\$	\$	\$
Financial Assets				
- debt securities	45,482,671	1,553,591	5,067,770	52,104,032
- loans and receivables	41,738,971	3,259,636	15,882,321	60,880,928
Reinsurance Assets	59,597,307	7,383,901	43,837,599	110,818,807
Other Assets	606,671	219,086	462,581	1,288,338
Short Term Deposits	19,476,494	4,507,918	31,333,784	55,318,196
Cash and Cash Equivalents	14,598,225	1,671,932	5,225,020	21,495,177
Total	181,500,339	18,596,064	101,809,075	301,905,478

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	11,391,090	2,216,268	7,661,139	21,268,497
Total	175,831,980	14,414,148	87,526,721	277,772,849

Notes to the consolidated financial statements (Continued)

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(Expressed in Trinidad and Tobago Dollars)

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 2011

	A	BBB	BB or	No ratings	Total
	\$	\$	below	assigned	\$
Debt securities	26,975,708	770,840	961,400	23,396,084	52,104,032
Loans and receivables	8,268,600	--	--	52,612,328	60,880,928
Reinsurance assets	110,818,807	--	--	--	110,818,807
Other assets	--	--	--	1,288,338	1,288,338
Short term deposits	20,602,667	7,412,681	5,465,814	21,837,034	55,318,196
Cash and cash equivalents	1,967,609	19,262,547	--	265,021	21,495,177
Total	168,633,391	27,446,068	6,427,214	99,398,805	301,905,478

As at 30 June 2010

	A	BBB	BB or	No ratings	Total
	\$	\$	below	assigned	\$
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	5,166,583	16,078,774	--	23,140	21,268,497
Total	181,703,773	28,403,517	920,000	66,745,559	277,772,849

Notes to the consolidated financial statements (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

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 \$
As at 30 June 2011				
Assets				
Financial assets				
- available-for-sale	26,660,399	24,415,519	15,438,378	66,514,296
- loans and receivables	56,949,786	3,640,607	417,538	61,007,931
Reinsurance assets	109,162,023	1,656,784	--	110,818,807
Other assets	1,288,338	--	--	1,288,338
Short term deposits	55,318,196	--	--	55,318,196
Cash and cash equivalents	21,495,177	--	--	21,495,177
Total	270,873,919	29,712,910	15,855,916	316,442,745
Liabilities				
Insurance Contracts	237,558,659	11,913,004	--	249,471,663
	237,558,659	11,913,004	--	249,471,663
Bank overdraft	141,685	--	--	141,685
Reinsurance payable	27,131,674	--	--	27,131,674
Trade and other payables	15,195,086	--	--	15,195,086
	42,468,445	--	--	42,468,445
Total	280,027,104	11,913,004	--	291,940,108

Notes to the consolidated financial statements (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

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
	\$	\$	\$	\$
As at 30 June 2010				
Assets				
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	21,268,497	--	--	21,268,497
Total	271,743,343	9,456,293	4,904,756	286,104,392
Liabilities				
Insurance contracts	227,878,804	14,411,976	--	242,290,780
	227,878,804	14,411,976	--	242,290,780
Reinsurance payable	25,496,978	--	--	25,496,978
Trade and other payables	12,957,803	--	--	12,957,803
	38,454,781	--	--	38,454,781
Total	266,333,585	14,411,976	--	280,745,561

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 changes 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 (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

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 were 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 2011

Description	Carrying Value \$	1% Movement in Interest Rates \$
Available-for-sale financial assets	1,113,600	11,136
Short term deposits	55,318,196	553,182
Cash and cash equivalents	21,495,177	214,952

As at 30 June 2010

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

(ii) Fair value interest rate risk**As of 30 June 2011**

Description	Carrying Value \$	Fair Value \$
Available-for-sale financial assets	58,073,138	58,073,138
Other loans	4,027,954	4,013,201

As of 30 June 2010

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

Notes to the consolidated financial statements (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

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 \$
As at 30 June 2011				
Assets				
Financial assets				
- available-for-sale	4,082,170	2,106,465	6,805,915	12,994,550
- loans and receivables	15,882,321	3,259,636	--	19,141,957
Reinsurance assets	43,837,599	7,383,901	--	51,221,500
Other assets	462,581	219,086	--	681,667
Short term deposits	30,112,360	4,507,918	5,923,357	40,543,635
Cash and cash equivalents	5,225,020	1,671,932	120,431	7,017,383
Total assets	99,602,051	19,148,938	12,849,703	131,600,692
Liabilities				
Insurance contracts	77,037,710	16,737,117	--	93,774,827
Bank overdraft	141,685	--	--	141,685
Reinsurance payable	4,512,673	2,122,834	--	6,635,507
Trade and other payables	6,244,694	731,042	--	6,975,736
	87,936,762	19,590,993	--	107,527,755
Net currency gap	11,665,289	(442,055)	12,849,703	24,072,937
Effect of 1% change in exchange rates on statement of comprehensive income	116,653	(4,420)	128,497	240,729

Notes to the consolidated financial statements (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

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
	\$	\$	\$	\$
As at 30 June 2010				
Assets				
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	7,661,139	2,216,268	1,390,748	11,268,155
Total assets	84,850,241	15,097,475	14,713,409	114,661,125
Liabilities				
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	5,595,919	627,297	--	6,223,216
	80,839,483	14,008,615	--	94,848,098
Net currency gap	4,010,758	1,088,860	14,713,409	19,813,027
Effect of 1% change in exchange rates on statement of comprehensive income	40,108	10,889	147,134	198,131

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 changes in the objectives, policies or procedures for managing currency risk from the prior year.

Notes to the consolidated financial statements (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

4 Management Of Insurance And Financial Risk (Continued)**4.2 Financial risk (continued)****4.2.3 Market risk (continued)****c) Other price risk**

As at 30 June 2011	Carrying Value	Effect on Equity
	\$	Of a 5% Change
		\$
Equities		
Listed	5,960,850	298,043
Unlisted	<u>1,121,856</u>	<u>56,093</u>
	<u>7,082,706</u>	<u>354,136</u>
 As at 30 June 2010		
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>

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.

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 2011		
Financial Instrument	Carrying Value	Fair value
	\$	\$
Financial Assets		
Debt securities	52,104,032	52,104,032
Equities	7,082,706	7,082,706
Loans and receivables	60,880,928	60,866,175
Reinsurance assets	110,818,807	110,818,807
Other assets	1,288,338	1,288,338
Short term deposits	55,318,196	55,318,196
Cash and cash equivalents	21,495,177	21,495,177
 Financial Liabilities		
Bank overdraft	141,685	141,685
Reinsurance payable	27,131,674	27,131,674
Trade and other payables	15,195,086	15,195,086

Notes to the consolidated financial statements (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

4 Management Of Insurance And Financial Risk (Continued)**4.2 Financial risk (continued)****4.2.4 Financial instruments by class (continued)****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
Financial Liabilities		
Reinsurance payable	25,496,979	25,496,979
Trade and other payables	12,957,803	12,957,803

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.

c) Reinsurance Assets

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

d) 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.

Notes to the consolidated financial statements (Continued)

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(Expressed in Trinidad and Tobago Dollars)

4 Management Of Insurance And Financial Risk (Continued)**4.2 Financial risk (continued)****4.2.5 Fair value hierarchy (continued)**

- 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 \$
As at 30 June 2011				
Assets				
Financial Assets				
- available-for-sale	5,960,850	52,104,032	1,121,856	59,186,738
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
As at 30 June 2010				
Assets				
Financial Assets				
- available-for-sale	4,963,252	4,541,474	1,271,856	10,776,582

There were no gains and losses recognised on Level 3 available for sale financial assets.

4.2.6 Capital management

The Group manages its shareholders' equity of \$ 75,509,335 (2010: \$61,777,875) 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 (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

5 Property, Plant And Equipment

	Leasehold Property \$	Freehold Properties \$	Furniture and Fittings \$	Office Equipment \$	Vehicles And Computer Equipment \$	Total \$
Year ended 30 June 2011						
Opening net book amount	8,000,000	12,569,148	2,061,981	1,111,029	10,970,749	34,712,907
Additions	--	149,447	347,307	99,670	5,665,940	6,262,364
Disposals	--	(131,940)	(12,814)	--	(667,345)	(812,099)
Depreciation charge	(160,000)	(170,804)	(275,859)	(231,026)	(3,282,074)	(4,119,763)
Closing net book amount	<u>7,840,000</u>	<u>12,415,851</u>	<u>2,120,615</u>	<u>979,673</u>	<u>12,687,270</u>	<u>36,043,409</u>
At 30 June 2011						
Cost	8,000,000	12,882,282	4,151,899	3,059,348	29,220,662	57,314,191
Accumulated depreciation	(160,000)	(466,431)	(2,031,284)	(2,079,675)	(16,533,392)	(21,270,782)
Net book amount	<u>7,840,000</u>	<u>12,415,851</u>	<u>2,120,615</u>	<u>979,673</u>	<u>12,687,270</u>	<u>36,043,409</u>
Year ended 30 June 2010						
Opening net book amount	--	10,011,118	1,831,459	1,247,849	8,090,755	21,181,181
Additions	8,000,000	2,812,034	541,905	130,532	5,670,188	17,154,659
Disposals	--	--	(45,564)	(783)	(148,293)	(194,640)
Depreciation charge	--	(254,004)	(265,819)	(266,569)	(2,641,901)	(3,428,293)
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>
At 30 June 2010						
Cost	8,000,000	12,864,861	3,818,794	2,959,679	24,744,235	52,387,569
Accumulated depreciation	--	(295,713)	(1,756,813)	(1,848,650)	(13,773,486)	(17,674,662)
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>
At 30 June 2009						
Cost	--	10,052,826	3,353,098	2,832,103	19,344,474	35,582,501
Accumulated depreciation	--	(41,708)	(1,521,639)	(1,584,254)	(11,253,719)	(14,401,320)
Net book amount	<u>--</u>	<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>

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

Bank borrowings are secured on land and buildings for the value of \$ 17,341,729 (2010:\$17,623,224) (Note 16).

6 Prepaid Lease Rentals

	2011 \$	2010 \$
Opening balance	22,255,750	--
Additions	--	22,255,750
Less: Amortisation for the year	<u>(317,939)</u>	<u>--</u>
Closing balance	<u>21,937,811</u>	<u>22,255,750</u>

Notes to the consolidated financial statements (Continued)

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(Expressed in Trinidad and Tobago Dollars)

6 Prepaid Lease Rentals (Continued)

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 \$7.8million (2010: \$8million) representing the Group's leasehold interest in the buildings (See Note 5). The leasehold interest in the land of \$21.9million (2010: \$22.2million) 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 13). These prepaid lease payments are amortised over the unexpired lease term of 70 years.

7 Retirement Benefit Asset

	2011	2010
	\$	\$
Retirement Benefit Asset	<u>1,511,951</u>	<u>1,479,540</u>
Amounts recognized in the statement of financial position are as follows:		
Fair value of plan assets	4,296,335	3,947,006
Present value of funded obligations	<u>(2,574,758)</u>	<u>(2,301,882)</u>
	1,721,577	1,645,124
Unrecognized actuarial (gains)/losses	<u>(209,626)</u>	<u>(165,584)</u>
Retirement Benefit Asset	<u>1,511,951</u>	<u>1,479,540</u>
Movement in the retirement benefit asset recognized over the year is as follows:		
Beginning of year	1,479,540	1,485,607
Net pension income/(expense)	31,155	(7,228)
Contributions paid	<u>1,256</u>	<u>1,161</u>
At end of year	<u>1,511,951</u>	<u>1,479,540</u>
Movement in the present value of funded obligation for the year is as follows:		
Beginning of year	2,301,882	2,414,943
Interest cost	168,079	189,379
Current service cost	102,863	113,745
Benefit payments	(7,242)	(7,242)
Actuarial gains	<u>9,176</u>	<u>(408,943)</u>
At end of year	<u>2,574,758</u>	<u>2,301,882</u>
Movement in the fair value of plan assets for the year is as follows:		
Beginning of year	3,947,006	3,875,884
Expected return on plan assets	237,584	272,106
Group contributions	1,257	1,161
Employee Contributions	31,393	28,723
Benefit payments	(7,242)	(7,242)
Actuarial losses	<u>86,337</u>	<u>(223,626)</u>
At end of year	<u>4,296,335</u>	<u>3,947,006</u>

Notes to the consolidated financial statements (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

7 Retirement Benefit Asset (Continued)

	2011	2010
	\$	\$
Amounts recognized in the statement of comprehensive income:		
Current service cost	70,209	83,861
Group contributions	1,257	1,161
Interest cost	168,079	189,379
Expected return on plan assets	(237,584)	(272,106)
Net actuarial (gain)/loss	<u>(33,116)</u>	<u>4,933</u>
Net pension (income)/expense	<u>(31,155)</u>	<u>7,228</u>
Actual return on plan assets	<u>323,922</u>	<u>48,478</u>
The principal assumptions used in the actuarial valuation are as follows:		
Discount rate at end of year	7.0%	7.5%
Expected return on plan assets at end of year	6.0%	6.0%
Future salary increases	6.0%	6.0%
Future pension increases	2.5%	2.5%
Mortality - US Mortality tables	GAM94	GAM94

The plan assets are invested in a managed fund held at Sagicor Life Inc. 4,296,335 3,947,006

The expected return on plan assets 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 2012 are \$1,535.

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

	2011	2010	2009	2008	2007
	\$	\$	\$	\$	\$
Present value of funded obligation	(2,574,758)	(2,301,882)	(2,414,943)	(2,135,674)	(13,302,368)
Fair value of plan assets	<u>4,296,335</u>	<u>3,947,006</u>	<u>3,875,884</u>	<u>4,131,032</u>	<u>13,907,617</u>
Surplus	<u>1,721,577</u>	<u>1,645,124</u>	<u>1,460,941</u>	<u>1,995,358</u>	<u>605,249</u>
Experience adjustment on plan assets	<u>86,337</u>	<u>(223,628)</u>	<u>(564,420)</u>	<u>(11,715)</u>	<u>(153,381)</u>
Experience adjustment on plan liabilities	<u>9,176</u>	<u>(408,943)</u>	<u>31,722</u>	<u>1,694,462</u>	<u>352,949</u>

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8 Financial Assets - Available-For-Sale

	2011	2010
	\$	\$
Equities	10,278,958	7,681,952
Government bonds	30,958,266	3,088,304
Corporate bonds	21,145,766	2,629,487
Provision for impairment	<u>(3,196,252)</u>	<u>(2,623,161)</u>
	<u>59,186,738</u>	<u>10,776,582</u>

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

At beginning of year	10,776,582	15,689,353
Additions	46,723,994	926,175
Disposals	(616,516)	(6,064,099)
Net fair value change for the year	2,875,769	672,961
Impairment loss recognised for the year	<u>(573,091)</u>	<u>(447,808)</u>
At end of year	<u>59,186,738</u>	<u>10,776,582</u>

9 Financial Assets – Loans And Receivables

Mortgage loans	3,888,474	4,212,200
Amounts due from reinsurers	8,268,600	5,078,044
Amounts due from brokers	32,487,574	25,024,933
Amounts due from policyholders	<u>16,236,280</u>	<u>16,129,796</u>
	<u>60,880,928</u>	<u>50,444,973</u>
Current portion	60,099,526	49,130,331
Non Current portion	<u>781,402</u>	<u>1,314,642</u>
	<u>60,880,928</u>	<u>50,444,973</u>

10 Reinsurance Assets

Non-current	1,656,784	2,709,949
Current	<u>109,162,023</u>	<u>106,758,203</u>
Total assets arising from reinsurance contracts (Note 15)	<u>110,818,807</u>	<u>109,468,152</u>

11 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:

At beginning of year	(1,176,246)	(1,196,220)
Charge /(credit) to statement of comprehensive income (Note 20)	328,757	(143,374)
Charge to equity	<u>718,943</u>	<u>163,348</u>
At end of year	<u>(128,546)</u>	<u>(1,176,246)</u>

Notes to the consolidated financial statements (Continued)

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11 Deferred Income Taxes (continued)

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:

	2011	2010
	\$	\$
Deferred income tax assets	(2,380,134)	(2,701,590)
Deferred income tax liabilities	<u>2,251,588</u>	<u>1,525,344</u>
	<u>(128,546)</u>	<u>(1,176,246)</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 01.07.10 \$	Charge/(Credit) to Consolidated Statement of Comprehensive Income \$	Charge to Equity \$	Balance as at 30.06.11 \$
Deferred income tax liabilities:				
Fair value gains on available-for-sale securities	246,077	--	718,943	965,020
Retirement benefit asset	369,883	8,102	--	377,985
Accelerated tax depreciation	909,384	(801)	--	908,583
	<u>1,525,344</u>	<u>7,301</u>	<u>718,943</u>	<u>2,251,588</u>
Deferred income tax assets:				
Impairment provision	(655,790)	(93,275)	--	(749,065)
Tax losses carried forward	(2,045,800)	414,731	--	(1,631,069)
	<u>(2,701,590)</u>	<u>321,456</u>	<u>--</u>	<u>(2,380,134)</u>
Net deferred income tax asset	<u>(1,176,246)</u>	<u>328,757</u>	<u>718,943</u>	<u>(128,546)</u>
	Balance as at 01.07.09 \$	Charge/(Credit) to Consolidated Statement of Comprehensive Income \$	Credit 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	667,827	241,557	--	909,384
	<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	(1,551,545)	895,755	--	(655,790)
	<u>(2,318,176)</u>	<u>(383,414)</u>	<u>--</u>	<u>(2,701,590)</u>
Net deferred income tax asset	<u>(1,196,220)</u>	<u>(143,374)</u>	<u>163,348</u>	<u>(1,176,246)</u>

Notes to the consolidated financial statements (Continued)

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(Expressed in Trinidad and Tobago Dollars)

11 Deferred Income Taxes (Continued)

	2011	2010
	\$	\$
Deferred income tax liabilities:		
- to be realised after more than 12 months	2,242,935	1,283,999
- to be realised within 12 months	<u>8,653</u>	<u>241,345</u>
	<u>2,251,588</u>	<u>1,525,344</u>
Deferred income tax assets:		
- to be recovered after more than 12 months	(1,605,135)	(2,407,358)
- to be recovered within 12 months	<u>(774,999)</u>	<u>(294,232)</u>
	<u>(2,380,134)</u>	<u>(2,701,590)</u>

12 Short Term Deposits

(i) At banks	34,570,763	41,402,542
(ii) Supervisor of Insurance	2,590,639	2,251,620
(iii) Treasury bills	<u>18,156,794</u>	<u>45,672,000</u>
	<u>55,318,196</u>	<u>89,326,162</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 2.93% (2010: 2.40%).

13 Share Capital

In the prior year, the Board of Directors approved the issuance of 27,000,000 ordinary shares at a value of \$1 each 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 2011, these shares have not yet been issued.

The Directors also approved a transfer of \$2 million from retained earnings to share capital in the prior year to increase the share capital of the Group. As at 30 June 2011, the shares have not been issued for this transfer.

Authorised

Unlimited ordinary shares of no par value		
Balance at beginning of year	39,000,000	10,000,000
Transfer from retained earnings	--	2,000,000
Contributed capital	<u>--</u>	<u>27,000,000</u>
	<u>39,000,000</u>	<u>39,000,000</u>
Issued and fully paid		
7,666,667 ordinary shares of no par value	10,000,000	10,000,000
Contributed capital	<u>29,000,000</u>	<u>29,000,000</u>
	<u>39,000,000</u>	<u>39,000,000</u>

14 Statutory Reserve

Balance at beginning of year	9,030,351	9,030,351
Transfer from statement of comprehensive income	<u>1,282,095</u>	<u>--</u>
Balance at end of year	<u>10,312,446</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.

In the prior year, the Group made a loss on its general insurance business and thus did not make a transfer to the statutory reserve.

Notes to the consolidated financial statements (Continued)

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(Expressed in Trinidad and Tobago Dollars)

15 Insurance Liabilities And Reinsurance Assets	2011 \$	2010 \$
Insurance liabilities – gross		
<i>Short term insurance contracts</i>		
Claims reported and loss adjustment expenses	89,595,756	93,854,897
Claims incurred but not reported	<u>26,798,152</u>	<u>28,910,032</u>
Total insurance claims liability	<u>116,393,908</u>	<u>122,764,929</u>
Unearned premiums	126,643,339	113,934,145
Unexpired risks provision	<u>4,235,546</u>	<u>3,777,745</u>
Total unearned premiums and unexpired risk liability	<u>130,878,885</u>	<u>117,711,890</u>
<i>Long term insurance contracts</i>		
- Annuities	1,224,779	1,098,885
- Term life	<u>974,091</u>	<u>715,076</u>
Total long term insurance contracts	<u>2,198,870</u>	<u>1,813,961</u>
Total insurance liabilities – gross	<u>249,471,663</u>	<u>242,290,780</u>
Recoverable from reinsurers		
<i>Short term insurance contracts</i>		
Claims reported and loss adjustment expenses	43,882,782	47,031,345
Claims incurred but not reported	<u>17,302,819</u>	<u>16,750,985</u>
Total insurance claims recoverable	<u>61,185,601</u>	<u>63,782,330</u>
Unearned premiums	<u>49,327,124</u>	<u>45,410,115</u>
<i>Long term insurance contracts</i>	<u>306,082</u>	<u>275,707</u>
Total reinsurers' share of insurance liabilities	<u>110,818,807</u>	<u>109,468,152</u>
Insurance liabilities – net		
<i>Short term insurance contracts</i>		
Claims reported and loss adjustment expenses	45,712,974	46,823,552
Claims incurred but not reported	<u>9,495,333</u>	<u>12,159,047</u>
Total insurance claims liability	<u>55,208,307</u>	<u>58,982,599</u>
Unearned premiums	77,316,215	68,524,030
Unexpired risks provision	<u>4,235,546</u>	<u>3,777,745</u>
Total unearned premiums and unexpired risk	<u>81,551,761</u>	<u>72,301,775</u>
<i>Long term insurance contracts</i>		
- Annuities	1,224,779	1,098,885
- Term life	<u>668,009</u>	<u>439,369</u>
	<u>1,892,788</u>	<u>1,538,254</u>
Total insurance liabilities - net	<u>138,652,856</u>	<u>132,822,628</u>
Current	128,396,636	121,120,603
Non-current	<u>10,256,220</u>	<u>11,702,025</u>
Total insurance liabilities – net	<u>138,652,856</u>	<u>132,822,628</u>

Notes to the consolidated financial statements (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

15 Insurance Liabilities And Reinsurance Assets (Continued)**15.1 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 \$	2011 \$	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	120,241,500	
- 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	74,494,606		
- two years later	22,972,232	23,536,966	28,973,386	115,694,834	46,320,506	27,518,540	60,540,860	57,528,297			
- three years later	23,184,362	23,821,232	28,355,873	116,100,505	35,432,675	27,158,485	58,820,268	--	--		
- four years later	22,859,457	24,732,140	28,176,833	115,968,219	35,342,110	25,172,650	--	--	--		
- five years later	23,525,251	25,881,172	28,240,489	116,514,035	36,010,471	--	--	--	--		
- six years later	24,084,669	25,725,713	27,386,518	117,094,530	--	--	--	--	--		
- seven years later	24,909,246	25,640,206	27,174,584	--	--	--	--	--	--		
- eight years later	24,340,746	24,812,643	--	--	--	--	--	--	--		
- nine years later	24,390,852										
Current estimate of cumulative claims	24,390,852	24,812,643	27,174,584	117,094,530	36,010,471	25,172,650	58,820,268	57,528,297	74,494,606	120,241,500	565,740,401
Cumulative payments to date	(23,591,161)	(24,577,123)	(26,332,011)	(92,753,153)	(32,791,353)	(24,462,019)	(39,596,203)	(54,286,438)	(66,024,469)	(67,017,320)	(451,431,250)
Liabilities in respect of years prior to 2002	799,691	235,520	842,573	24,341,377	3,219,118	710,631	19,224,065	3,241,859	8,470,137	53,224,180	114,309,151
Total insurance claims liability - gross										2,084,757	116,393,908

Notes to the consolidated financial statements (Continued)

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(Expressed in Trinidad and Tobago Dollars)

15 Insurance Liabilities And Reinsurance Assets (Continued)**15.1 Assumptions, change in assumptions and sensitivity (Continued)****(a) Development of claims (Continued)**

Accident year	2002 \$	2003 \$	2004 \$	2005 \$	2006 \$	2007 \$	2008 \$	2009 \$	2010 \$	2011 \$	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	72,734,033	
- 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	57,916,905		
- two years later	20,278,950	17,959,780	19,569,733	38,007,169	26,672,171	24,190,301	45,289,338	40,752,823	--	--	
- three years later	20,547,518	17,995,769	20,156,728	39,055,178	25,669,373	24,313,540	43,661,728	--	--	--	
- four years later	20,239,850	18,663,458	20,028,151	38,637,300	24,688,202	22,876,513	--	--	--	--	
- five years later	20,853,826	19,351,531	20,045,927	38,054,871	25,839,630	--	--	--	--	--	
- six years later	21,358,493	18,714,181	19,840,333	37,724,013	--	--	--	--	--	--	
- seven years later	20,290,352	18,911,422	19,633,077	--	--	--	--	--	--	--	
- eight years later	20,341,251	18,612,504	--	--	--	--	--	--	--	--	
- nine years later	20,283,195										
Current estimate of cumulative claims	20,283,195	18,612,504	19,633,077	37,724,013	25,839,630	22,876,513	43,661,728	40,752,823	57,916,905	72,734,033	360,034,421
Cumulative payments to date	(20,362,341)	(18,445,679)	(18,798,205)	(35,768,647)	(23,056,478)	(22,269,207)	(30,944,014)	(38,469,147)	(52,687,345)	(44,966,586)	(305,767,649)
	(79,146)	166,825	834,872	1,955,366	2,783,152	607,306	12,717,714	2,283,676	5,229,560	27,767,447	54,266,772
Liabilities in respect of years prior to 2002											941,535
Total insurance claims liability - net											55,208,307

Notes to the consolidated financial statements (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

15 Insurance Liabilities And Reinsurance Assets (Continued)**15.1 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. See note 3 for details on the sensitivity of these contracts.

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. The Group reassesses its provision for incurred but not reported claims (IBNR) on an annual basis.

*Long Term Insurance Contracts**Annuities*

These reserves are determined based on the fund balances for these contracts at the year end.

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.

See note 3 for details on the sensitivity analysis of these reserves.

Notes to the consolidated financial statements (Continued)

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(Expressed in Trinidad and Tobago Dollars)

15 Insurance Liabilities And Reinsurance Assets (Continued)**15.2 Movement in insurance liabilities and reinsurance assets****(a) Claims and loss adjustment expenses**

2011					2010		
Gross	Reinsurance	Net			Gross	Reinsurance	Net
\$	\$	\$			\$	\$	\$
				Year ended 30			
				June			
93,854,897	(47,031,345)	46,823,552	Notified claims		89,583,827	(46,526,418)	43,057,409
28,910,032	(16,750,985)	12,159,047	Incurred but not reported		24,304,505	(13,884,521)	10,419,984
				Total at beginning of year	113,888,332	(60,410,939)	53,477,393
(91,327,181)	32,522,993	(58,804,188)	Cash paid for claims settled in year		(63,622,817)	14,022,821	(49,599,996)
				Increase/(decrease) in liabilities			
120,241,500	(47,507,467)	72,734,033	- arising from current year claims		103,859,565	(34,137,462)	69,722,103
(35,285,340)	17,581,203	(17,704,137)	- arising from prior year claims		(31,360,151)	16,743,250	(14,616,901)
116,393,908	(61,185,601)	55,208,307	Total at end of year		122,764,929	(63,782,330)	58,982,599
89,595,756	(43,882,782)	45,712,974	Notified claims		93,854,897	(47,031,345)	46,823,552
26,798,152	(17,302,819)	9,495,333	Incurred but not reported		28,910,032	(16,750,985)	12,159,047
116,393,908	(61,185,601)	55,208,307	Total at end of year		122,764,929	(63,782,330)	58,982,599

Notes to the consolidated financial statements (Continued)

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(Expressed in Trinidad and Tobago Dollars)

15 Insurance Liabilities And Reinsurance Assets (Continued)**15.2 Movement in insurance liabilities and reinsurance assets (continued)**

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

2011				2010			
Gross	Reinsurance	Net		Gross	Reinsurance	Net	
\$	\$	\$		\$	\$	\$	
Year ended 30 June							
Unearned premium provision							
113,934,145	(45,410,115)	68,524,030	At beginning of year	121,246,732	(61,599,197)	59,647,535	
126,643,339	(49,327,124)	77,316,215	Increase in the period	113,934,145	(45,410,115)	68,524,030	
(113,934,145)	45,410,115	(68,524,030)	Release in the period	(121,246,732)	61,599,197	(59,647,535)	
126,643,339	(49,327,124)	77,316,215	At end of year	113,934,145	(45,410,115)	68,524,030	
Year ended 30 June							
Unexpired risk provision							
3,777,745	--	3,777,745	At beginning of year	3,473,097	--	3,473,097	
4,235,546	--	4,235,546	Increase in the period	3,777,745	--	3,777,745	
(3,777,745)	--	(3,777,745)	Release in the period	(3,473,097)	--	(3,473,097)	
4,235,546	--	4,235,546	At end of year	3,777,745	--	3,777,745	

16 Bank Borrowings

The Group's borrowings comprising the following facilities:

	2011	2010
	\$	\$
Undrawn overdraft facility	1,000,000	1,000,000
Letter of Credit	<u>4,600,000</u>	<u>--</u>
	<u>5,600,000</u>	<u>1,000,000</u>

These facilities are secured by land and buildings totalling \$17,341,729 (2010:\$ 17,633,224) included in property, plant and equipment.

17 Net Realised Losses on Financial Assets

Realised gains/(losses) on the disposal of available-for-sale financial assets	249,537	(138,630)
Fair value gains on available-for-sale financial assets transferred from equity	<u>--</u>	<u>14,675</u>
	<u>249,537</u>	<u>(123,955)</u>

Notes to the consolidated financial statements (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

18 Insurance Claims And Loss Adjustment Expenses

	2011			2010		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	\$	\$	\$	\$	\$	\$
Current year claims and loss adjustment expenses	120,241,500	(47,507,467)	72,734,033	103,859,565	(34,137,462)	69,722,103
Prior year claims and loss adjustment expenses	(35,285,340)	17,581,203	(17,704,137)	(31,360,151)	16,743,250	(14,616,901)
	<u>84,956,160</u>	<u>(29,926,264)</u>	<u>55,029,896</u>	<u>72,499,414</u>	<u>(17,394,212)</u>	<u>55,105,202</u>

19 Other Operating and Administrative Expenses

	2011	2010
	\$	\$
Staff Costs (See Note 21)	25,553,093	22,790,877
Depreciation	4,119,763	3,428,293
Advertising	4,390,310	4,500,356
Rent and utilities	6,463,050	7,946,080
Professional fees	4,077,758	3,053,937
Impairment loss recognised	573,091	447,808
Operating lease rentals	760,900	820,868
Other miscellaneous expenses	<u>12,383,333</u>	<u>10,764,673</u>
	<u>58,321,298</u>	<u>53,752,892</u>

20 Taxation

Current tax	4,207,127	2,253,633
Deferred income tax (Note 11)	328,757	(143,374)
Prior years under/(over) provision	<u>8,112</u>	<u>(105,536)</u>
	<u>4,543,996</u>	<u>2,004,723</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>16,286,630</u>	<u>4,604,067</u>
Tax calculated at the rate of 25%	4,071,658	1,151,017
Effect of different tax rates in other countries	379,348	342,538
Income not subject to tax	(134,292)	(208,910)
Expenses not deductible for tax purposes	219,170	619,827
Business Levy	--	205,787
Prior year over provision	<u>8,112</u>	<u>(105,536)</u>
Tax charge	<u>4,543,996</u>	<u>2,004,723</u>

Notes to the consolidated financial statements (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

21 Staff Costs

	2011	2010
	\$	\$
Wages and salaries	24,680,985	21,948,222
National insurance	903,263	835,427
Net pension expense/(income) – defined contribution and defined benefit plan	<u>(31,155)</u>	<u>7,228</u>
	<u>25,553,093</u>	<u>22,790,877</u>
Number of persons employed by the Group	<u>166</u>	<u>153</u>

22 Related Party Balances And Transactions

The Group 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:

i) Leasing of equipment and premises	<u>819,700</u>	<u>880,208</u>
ii) Administrative services	<u>212,000</u>	<u>322,242</u>
iii) Amounts due to directors	<u>(35,087)</u>	<u>(304,159)</u>
iv) Funds placed with affiliated company	<u>--</u>	<u>3,581,376</u>
v) Issuance of share capital	<u>--</u>	<u>29,000,000</u>
vi) Proceeds from sale of investment in associate	<u>--</u>	<u>50,000</u>
vii) Prepaid lease rentals	<u>21,937,811</u>	<u>22,255,750</u>
viii) Leasehold Property	<u>7,840,000</u>	<u>8,000,000</u>
ix) Interest on other loans	<u>--</u>	<u>98,104</u>
x) Key management compensation		

The compensation paid or payable to key management for employee services is shown below:

Salaries and other short-term employee benefits	<u>8,437,731</u>	<u>7,370,619</u>
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23 Dividend Per Share

The dividend paid in 2011 was \$168,000 (2010: nil). This represented a dividend per share of \$0.02 (2010: \$nil)

24 Commitments**(a) Capital commitments**

The following were the capital commitments of the Group:

Systems upgrade project	<u>2,878,362</u>	<u>2,878,362</u>
	<u>2,878,362</u>	<u>2,878,362</u>

Notes to the consolidated financial statements (Continued)

30 June 2011

(Expressed in Trinidad and Tobago Dollars)

24 Commitments (continued)**(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	989,358
Later than one year and no later than five years	<u>1,022,702</u>	<u>1,022,702</u>
	<u>2,012,060</u>	<u>2,012,060</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.

Notes

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