Bright
Forward Thinking
Switched On

2012

ANNUAL REPORT

Beacon

HEAD OFFICE

Port of Spain
13 Stanmore Avenue,
P.O. Box 837,
Port of Spain, Trinidad.
(t) +1 868 6 BEACON (623 2266)
(f) +1 868 623 9900
(e) info@beacon.co.tt

BRANCHES

Arima
Shops of Arima, Shop C5
51-57 Tumpuna Road,
Arima, Trinidad.
(t) +1 868 643 6364
(f) +1 868 643 1728

Chaguanas
1st Floor, Mid Centre Mall,
Southern Main Road,
Chaguanas, Trinidad.
(t) +1 868 665 3097
(f) +1 868 665 3770

San Fernando
60 Independence Avenue,
San Fernando,
Trinidad.
(t) +1 868 652 3832 / 1353
(f) +1 868 652 4279

St Augustine
71 Eastern Main Road,
St Augustine, Trinidad.
(t) +1 868 662 6156

Tobago
Edoo's Building,
94 Norma Drive, Suite 204,
Birchwood Triangle, Lowlands,
Tobago.
(t) +1 868 639 0779
(f) +1 868 639 2935

Barbados
Beacon House, White Park Road,
BB 22026, St Michael,
Barbados, BB11135.
(t) +1 246 436 6200
(t) +1 246 436 5001 / 2 / 3
(f) +1 246 436 9587

Grenada
Maurice Bishop Highway,
Calliste, PO Box 711,
St George's, Grenada.
(t) +1 473 440 4447 / 6889
(f) +1 473 440 4168

St Lucia
Orange Park Commercial Centre,
Bois D'Orange, CP 5702,
Gros Islet, St Lucia.
(t) +1 758 452 8334 / 458 0092
(f) +1 758 452 9492

AGENCIES

Penal
NARE Insurance Agencies Limited,
1121 SS Erin Road
Debe, Trinidad.
(t) +1 868 384 6273

Sangre Grande
NARE Insurance Agencies Limited,
901 Eastern Main Road,
Sangre Grande, Trinidad.
(t) +1 868 668 0316 / 668 3593
(f) +1 868 668 3593

Tunapuna
NARE Insurance Agencies Limited,
128 Eastern Main Road,
Tunapuna, Trinidad.
(t) +1 868 663 9043

Dominica
Archipelago Trading Limited,
PO Box 21, Leopold House, Bayfront,
Dame Eugenia Charles Boulevard,
PO Box 21, Roseau,
Commonwealth of Dominica.
(t) +1 767 448 5247 / 0009
(f) +1 767 448 5338

St Kitts & Nevis
EDEN Services (St Kitts & Nevis) Limited,
2nd Floor Building 29, Port Zante,
Basseterre, PO Box 2088,
St Kitts & Nevis.
(t) +1 869 466 5744
(f) +1 869 465 7509

St Lucia
Insurance and Business Consultants Ltd
Desir Ave, Sans Souci,
P.O. Box CP 5687,
Castries, St Lucia
(t) +1 758 451 6442 / 758 451 6224
(f) +1 758 451 0422

Joseph Dolor Insurance Agency
Corner of Chisel & High Street
Castries, St Lucia
(t) +1 758 451 6615
(f) +1 758 459 0015

St Vincent
BMC Agencies,
Sharp Street, PO Box 2933,
Kingstown, St Vincent.
(t) +1 784 457 1066
(f) +1 784 457 2103

Contents

Beacon's Collective Compass

Beacon's Collective Compass guides us through every decision, ensuring we are always pointed true north, ever moving toward our vision.

It represents how our leaders and employees think, why we exist and what we hope to accomplish.

It is the essence of our brand - our purpose, our values and our promise.

> "Beacon's operations reported consolidated net profit after taxation of $12.1m for the year ended June 30, 2012."

GERALD S. HADEED
Chairman

Once again, it gives me great pleasure to report on the performance of the company for the financial year ending June 30th 2012.

Chairman's Report

This year Beacon continued to develop and define its business model in preparation for the long-awaited legislative changes as outlined in the Draft Insurance Bill. These changes are expected to introduce risk-based capital levels and emphasise governance and compliance issues.

Economic uncertainty seems set to remain a feature of the new financial year, however, we will continue to weather the storm. We will constantly assess each of our strategic initiatives as we anticipate that these external influences will change the competitive environment. Our management team works tirelessly on developing significant advantages through continuous technology improvements. These improvements are geared towards enriching the customer experience, deepening our relationships and providing many areas of value-added services that support our corporate mission.

Beacon's operations reported consolidated net profit after taxation of $12.1m for the year ended June 30, 2012, marginally better than the previous year's $11.7m. Our top-line growth was 9% and we closed the year with gross premiums amounting to $305m compared to $280m for 2011.

This growth is encouraging in light of the competitive nature of the industry, coupled with the economic stagnation within the region in which we operate. We have maintained a conservative approach to managing our investment portfolio and for the financial year 2012 realised net investment income of $6.3m compared with $4.2m for 2011.

Claims and operating expenses increased during the year as reflected in an overall loss ratio for the year of 53% (2011 - 44%) and a combined ratio of 92% (2011 - 90%). We closed the year with consolidated gross assets amounting to $435m (2011 - $373m) and shareholders' equity of $86m (2011 - $76m).

The impact of the 2011 catastrophes is still being felt on the reinsurance market as capacity remains somewhat guarded in regions prone to these types of losses and it is probable that there will be moderate price increases over the next year. All our reinsurers, however, remain strongly capitalised and continue to support our operations over the long term.

I am pleased to announce two new appointments to our Board of Directors – Professor Avinash Persaud and Christian Hadeed. Professor Persaud was appointed as a non-executive director and chair of the Board's Audit Committee and brings a wealth of global experience in finance and accounting. He also possesses an intimate understanding of the complexities of international markets and risk management garnered from an outstanding career that spans more than 24 years. He is a Senior Fellow at London Business School, an Emeritus Professor of Gresham College and a former Governor of the London School of Economics. Christian Hadeed was appointed Director, Claims Management. This new position on our Board is designed to provide strategic oversight of Beacon's claims performance, including claims handling and reserving practices across all divisions and will assist in identifying vulnerabilities or weaknesses within claims operations.

Through our technological, financial and organisational developments, we are confident that Beacon will continue to grow profitably as we push through all of our internal development plans, and that we will realise our vision to become a performance-driven and respected regional insurance company with strong brand presence in all the territories we serve.

As another financial year closes, I would like to extend my appreciation to our staff, agents and brokers for contributing to the success of our company. I thank the Executive Management Team for their hard work and support and the Board of Directors for their guidance and advice.

To our policyholders, we recognise that without you, we would not exist and we deeply appreciate the trust that you have placed in us to protect your most valued assets. Our promise to you is to continue to keep your best interest at the heart of our business.

GERALD S. HADEED
Chairman

Intelligent Agility

Life can be as unpredictable as the sea.

Beacon covers all your Marine Insurance needs.

The Beacon Insurance Company Ltd ("Beacon") is a privately owned company founded by Mr Aziz Hadeed in the 1970s and incorporated in 1996 as a rebranding of The Caribbean Insurance Company Ltd. Its early years were characterised by direct personal relationships between the owner and "Beacon's" clients, rather than through brokers.

Corporate Profile

With forty years in the Insurance Industry our operations are regional and headquartered in Trinidad. We have branch offices in Tobago, Grenada, Barbados, St Lucia, and agency operations in St Vincent, Dominica and St Kitts & Nevis where we underwrite all major lines of insurance, including Property, Motor, Accident & Casualty, Marine Cargo & Hull, Engineering, Bond, and Group Life & Employee Benefits. Beacon is currently ranked sixth regionally, and seventh in Trinidad, in terms of market share of Trinidad domiciled insurance companies.

Led by an experienced and qualified Management Team, Beacon's Gross Assets have grown from a modest TT$35m in its first year of operation to over TT$400m to date, with Gross Premiums exceeding TT$300m.

Beacon has strategically chosen a conservative growth path that ensures our underwriting is sound and never driven solely for market growth. Our core insurance activities are managed by enterprise systems that incorporate all our business processes, integrated with financial applications and document management systems. All regional branch offices are connected live to the enterprise system. A hot site located in Chaguanas forms an integral part of our disaster relief plan.

Our strategic focus is reflected 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 utilising our skills, relationships and innovative technology.

Under the present structure, an Executive Management Team reports to the Board of Directors and works alongside the Chief Executive to ensure that our activities are aligned to our Vision, Mission and Values and meet strategic objectives. The EMT is responsible for strategic planning, risk management, compliance and reinsurance.

Beacon recently launched its new corporate image designed to honour past achievements, while ensuring that the brand evolves with changing times and remains an effective platform to communicate its promises. The lighthouse concept and the guidance the lighthouse provides endure as the foundation of the company's ethos. The image, like the organisation, has been refreshed, underpinning a stronger, more modern representation of Beacon. The logo was modelled after the Chacachacare lighthouse in western Trinidad, one of the highest in the world, which was used in navigation between Trinidad and Grenada for centuries.

Beacon, like the lighthouse, still stands today.

Directors

GERALD S. HADEED
Chairman

Gerald S. Hadeed who heads The Beacon Insurance Company Ltd is a leader in the Trinidad and Tobago business community. In addition to his presence in the insurance industry, Mr Hadeed has also been involved in the development of many petrochemical initiatives in Trinidad and Tobago. Over the past 20 years he has acted as a local consultant and representative to several major oil and gas companies and specialist energy industry companies. He is a past Director of the National Gas Company (government owned) where he chaired the business development subcommittee 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
Director/Chief Executive Officer

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 Master of Business Administration degree from the University of the West Indies.

LINDSAY GONSALVES
Director/Chief Financial Officer

Lindsay Gonsalves was appointed to the Board of Directors of Beacon in July 2006. He has been with the Beacon Group of Companies for over 10 years and is also a Director of Healthcare Technologies Ltd, Beacon Asset Management, and Secure Plus Ltd. In 1995, Mr Gonsalves, who worked as a Financial Consultant to the Caribbean Insurance Company Ltd, was appointed as its Financial Controller. Consequently, he was instrumental in guiding Caribbean Insurance in its transition to Beacon 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's career in Information Technology began in 1990 after he obtained his BSc in Computer Science from Nottingham University in the UK. He joined Beacon in 1996 as a Systems Administrator and was appointed VP, Information Systems in 2006.

Christopher is a Director of Northwest Premium Finance Ltd, Beacon Finance Ltd, The Beacon Technology Company Ltd, Secure Plus Ltd and Health Care Technologies Ltd.

ROGER HAMEL-SMITH
Director/General Counsel

Roger Hamel-Smith was appointed to the Board of Directors of Beacon 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 14 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 as 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 UK in 1980. He has participated in several advanced legal training courses and seminars worldwide. He has also tutored at the Sir Hugh Wooding Law School in civil practice and procedure.

CHRISTIAN HADEED
Director, Claims Management

Christian Hadeed was appointed to the Board of Directors of Beacon in August 2010. Christian joined the company in 2005 as a Claims Executive and currently holds the position of Director, Claims Management. Mr. Hadeed is a Director of both Stanmore Properties Ltd and CGH Ltd, a property development, sales and rentals company. Mr Hadeed holds a BSc in Business Administration from Chapman University, California. He has also attended several insurance, management and leadership training courses during his career and obtained 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 Beacon's strategic and operational plans.

PATRICIA R. BRYAN
Executive Director

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

Mrs Bryan's background in Motor Insurance, Management and Leadership began in 1980 with Caribbean Insurance Company Ltd and it is this wealth of experience that 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 has 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 Beacon in 1996. Mr Lewis received his HBA in 1974 from the Richard Ivey School of Business from the University of Western Ontario. He is currently the General Manager/Director of Label House Group Ltd, the leading brand identity and packaging solutions company in the Caribbean. He is also a board member of Republic Bank Ltd, Fincor, Republic Securities Ltd, Ceramic Trinidad Ltd, and Prestige Business Publications Ltd, publisher of Who's Who in Trinidad & Tobago Business magazine. He is a past president of the Trinidad & Tobago Manufacturers' Association.

FRANKLIN DE NOBRIGA

Director

Mr. de Nobriga brings to Beacon over 35 years' experience in the insurance industry in the Caribbean from both the brokerage and company sides of the business. He started his career in insurance in 1969 with Insurance Brokers (West Indies) Ltd as a risk surveyor. He later joined the American Foreign Insurance Association (AFIA) and served as Underwriting and Claims Manager for the Home Insurance Company in Trinidad. In 1973, Neal & Massy Holdings Ltd together with Angostura Ltd, acquired majority interest in that company and a new entity, Caribbean Home Insurance Company, was formed where he assumed the post of Assistant General Manager.

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

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

AVINASH PERSAUD

Director

Professor Avinash Persaud was appointed to the board as a non-executive Director and chair of the Board's Audit Committee in August 2012.

Professor Persaud was the Global Head of Foreign Exchange and Commodity Research at J.P. Morgan from 1993 until 1999 when he took the position of Managing Director of State Street Bank & Trust, a US-based Fortune 500 company. Starting in 2003, he also served as Investment Director at GAM London Ltd for two years.

Professor Persaud currently sits as Chairman on several boards worldwide, including Elara Capital PLC (UK), Paradise Beach Ltd (Barbados), International Capital Ltd (UK) and is also a Director of RBC Latin America & the Caribbean. He was a member of the UK Treasury's Audit and Risk Committee in 2008 and Chairman of the regulatory sub-committee of the United Nations High-Level Panel of Financial Reform.

So the storm went with your roof.
No worries.

Beacon's Property Insurance

Covering you for floods, hurricanes,
earthquakes, burglary and more.

Corporate Information

MANAGEMENT TEAM

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

CORPORATE SECRETARY

Anouk Lee Wo-Mollenthiel

REGIONAL MANAGEMENT

Anthony Joseph ACC, DIR	Agency Manager, Dominica
Molly Roberts	Branch Manager, Grenada
Gary DaSilva	Agency Manager, St Kitts & Nevis
Joralia St. Louis BSC, DIP. INS	Branch Manager, St Lucia
Keith Boyea DIP, BA	Agency Manager, St Vincent

CONSULTANT

Bertrand H Doyle HBM, ACII, ACIARB

BANKERS

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

Commonwealth of Dominica
RBC Royal Bank Ltd

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

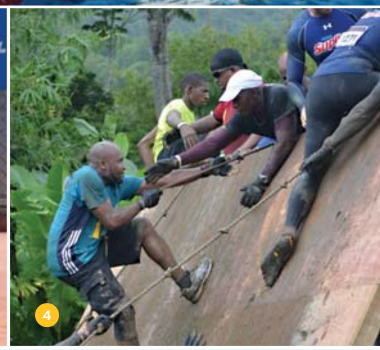
J.D. Sellier & Company
Pollonais, Blanc, de la Bastide & Jacelon
Fitzwilliam, Stone & Alcazar
Elliot D. Mottley & Co.
Grant, Joseph & Co.
Gerald Burton Chambers
Karl T. Hudson-Phillips, QC
Lorraine D. Jolie
Joseph A. Delves

REINSURERS

Hannover Rückversicherungs Aktien Gesellschaft
Munchener Rückversicherungs Gesellschaft
Swiss Reinsurance Company
Lloyd's of London

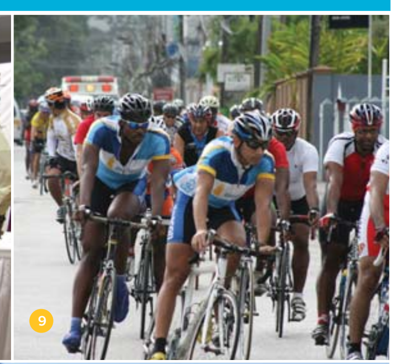
REINSURANCE BROKERS

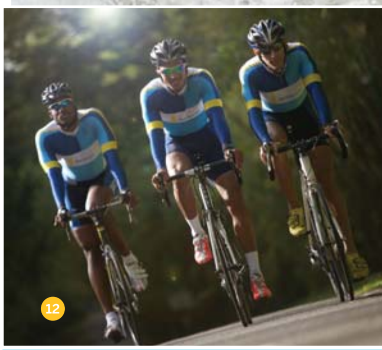
Aon Benfield



Community Involvement

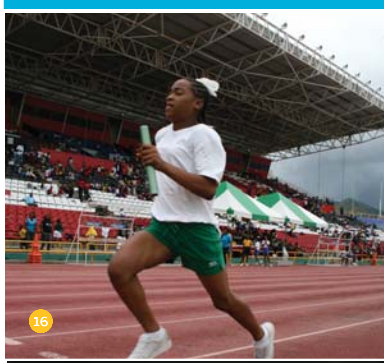
1. Sailing - Andrew Lewis
2. AmCham Youth Productivity Forum
3. Lawn tennis - Breana Stampfli
4. Hardcore Caribbean
5. Oval Football Tournament
6. Grenada Fishing Tournament
7. Youth Triathalon
8. Gymnastics Invitational
9. Cycling Race
10. Adventure Racing - Jason Costelloe





Community Involvement

11. International Surfing Competition
12. Cycling - Sponsored Athletes
13. Grenada Netball
14. Hardcore
15. Quincy Alexander - Cyclist
16. POS & Environs Primary Schools Track & Field Tournament
17. Kids Football
18. Equestrian Tournament
19. Secondary Schools' Swim Meet
20. Barbados Circuit Racing






Beacon Games and Brand launch





Beacon's 4x4 Advantage

Explore the full capability of your private-use pickup or SUV and leave the insurance to us.

With Beacon's trailblazing coverage plan you can enjoy substantial benefits at a much lower price than you can imagine.

Consolidated Financial Statements
30 June 2012

pwc

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 2012 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 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers
29 January 2013
Port of Spain,
Trinidad, West Indies

Consolidated Statement of Financial Position
(Expressed in Trinidad and Tobago Dollars)

	Notes	As at 30 June 2012 $	2011 $
ASSETS			
Property, plant and equipment	5	35,651,585	36,043,409
Prepaid lease rentals	6	21,619,872	21,937,811
Retirement benefit asset	7	1,476,139	1,511,951
Financial assets - available-for-sale	8	69,598,545	59,186,738
- loans and receivables	9	69,929,926	60,880,928
Reinsurance assets	10	154,296,252	110,818,807
Deferred income tax assets	11	3,075,900	2,380,134
Other assets		3,440,137	1,288,338
Taxation recoverable		2,422,012	2,339,469
Short term deposits	12	40,266,448	55,318,196
Cash and cash equivalents – cash in hand and in bank		33,172,657	21,495,177
Total Assets		434,949,473	373,200,958
SHAREHOLDERS' EQUITY			
Share capital	13	39,000,000	39,000,000
Statutory reserve	14	11,561,380	10,312,446
Retained earnings		34,115,707	23,301,831
Fair value reserve		1,447,645	2,895,058
Total Shareholders' Equity		86,124,732	75,509,335
LIABILITIES			
Insurance liabilities	15	287,885,769	249,471,663
Financial liabilities			
- Bank overdraft		--	141,685
Reinsurance payable		34,884,637	27,131,674
Trade and other payables		19,753,172	15,195,086
Deferred income tax liabilities	11	2,063,026	2,251,588
Taxation payable		4,238,137	3,499,927
Total Liabilities		348,824,741	297,691,623
Total Equity and Liabilities		434,949,473	373,200,958

The notes on pages 22 to 76 form an integral part of these consolidated financial statements.

On 28 January 2013, 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 2012 $	2011 $
Insurance premium revenue		305,267,542	280,233,137
Insurance premium ceded to reinsurers		(181,415,927)	(144,970,573)
Net premium written		123,851,615	135,262,564
Change in gross unearned premium reserves		(12,417,261)	(13,166,998)
Change in unearned premium reserves due to reinsurers		24,121,723	3,917,009
Net insurance premium revenue		135,556,077	126,012,575
Investment income		6,332,644	4,151,454
Commissions received on reinsurance contracts		46,866,033	29,922,588
Net realized gains on financial assets	17	149,716	249,537
Foreign exchange gains		906,736	425,496
Net income		189,811,206	160,761,650
Insurance benefits on long term contracts		(993,380)	(384,909)
Insurance benefits on long term contracts recovered from reinsurers		(40,527)	30,375
Insurance claims and loss adjustment expenses	18	(125,493,049)	(84,956,160)
Insurance claims and loss adjustment expenses recovered from reinsurers	18	53,873,557	29,926,264
Net insurance benefits and claims		(72,653,399)	(55,384,430)
Expenses for the acquisition of insurance contracts		(32,905,181)	(30,137,732)
Other operating and administration expenses	19	(66,459,917)	(58,321,298)
Expenses		(172,018,497)	(143,843,460)
Operating Profit		17,792,709	16,918,190
Finance costs		(493,842)	(631,560)
Profit before tax		17,298,867	16,286,630
Taxation	20	(5,236,057)	(4,543,996)
Profit for the year attributable to the parent company shareholders		12,062,810	11,742,634
Other Comprehensive Income:			
Net change in fair value on available-for-sale financial assets		(1,447,413)	2,156,826
Other comprehensive income for the year, net of tax		(1,447,413)	2,156,826
Total comprehensive income for the year attributable to the parent company shareholders		10,615,397	13,899,460

The notes on pages 22 to 76 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
(Expressed in Trinidad and Tobago Dollars)

	Note	Share Capital $	Statutory Reserve $	Fair Value Reserve $	Retained Earnings $	Total $
Year Ended 30 June 2012						
Balance at 1 July 2011		39,000,000	10,312,446	2,895,058	23,301,831	75,509,335
Total comprehensive income for the year:						
Profit for the year		--	--	--	12,062,810	12,062,810
Other comprehensive income:						
Fair value gains transferred to income on disposal of available-for-sale financial assets		--	--	(138,023)	--	(138,023)
Net change in fair value on available-for-sale financial assets, net of tax		--	--	(1,309,390)	--	(1,309,390)
Transfer to statutory reserve	14	--	1,248,934	--	(1,248,934)	--
Total other comprehensive income		--	1,248,934	(1,447,413)	(1,248,934)	(1,447,413)
Transactions with owners:						
Dividends paid		--	--	--	--	--
Balance at 30 June 2012		39,000,000	11,561,380	1,447,645	34,115,707	86,124,732
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:						
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

The notes on pages 22 to 76 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
(Expressed in Trinidad and Tobago Dollars)

	Year Ended 30 June 2012 $	2011 $
Operating Activities		
Profit before taxation	17,298,867	16,286,630
Adjustment For		
Depreciation	4,267,409	4,119,763
Change in retirement benefit asset	35,812	(32,411)
Amortisation of prepaid lease rentals	317,939	317,939
Loss on disposal of property, plant and equipment	20,138	520,437
Dividend income	(121,668)	(261,302)
Interest income	(4,759,977)	(2,195,386)
Interest expense	493,842	631,560
Impairment loss recognised	1,190,294	573,091
Foreign exchange gains	(906,738)	(425,496)
Gain on disposal of financial assets	(149,716)	(249,537)
	17,686,202	19,285,288
Net increase in loans and receivables	(9,048,998)	(10,435,955)
Net (increase)/decrease in reinsurance assets	(43,477,445)	(1,350,655)
Net decrease in other assets	(1,545,748)	720,165
Net decrease/(increase) in short term deposits	15,051,748	34,007,966
Net increase in insurance contracts	38,414,106	7,180,883
Net increase in reinsurance payable	8,659,700	2,060,191
Net increase/(decrease) in trade and other payables	4,558,086	2,237,283
Taxes paid	(4,982,458)	(2,987,427)
Net Cash Flow from Operating Activities	25,315,193	50,717,739
Investing Activities		
Purchase of property, plant and equipment	(4,472,534)	(6,262,364)
Proceeds from disposal of property, plant and equipment	577,061	291,662
Interest paid	(493,842)	(631,560)
Dividend received	121,668	261,302
Interest received	4,153,889	1,734,157
Purchase of available-for-sale financial assets	(18,149,473)	(46,723,994)
Proceeds from disposal of available-for-sale financial assets	4,767,203	866,053
Net Cash Flow From Investing Activities	(13,496,028)	(50,464,744)
Financing Activities		
Dividends paid	--	(168,000)
Net Cash Flow from Financing Activities	--	(168,000)
Increase in Cash and Cash Equivalents	11,819,165	84,995
Cash and Cash Equivalents		
At start of year	21,353,492	21,268,497
At end of year	33,172,657	21,353,492
Represented By:		
Cash at bank and in hand	33,172,657	21,495,177
Bank overdraft	--	(141,685)
	33,172,657	21,353,492

The notes on pages 22 to 76 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements
30 June 2012
(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 2011 and were adopted by the Group in the current year.

- IFRS 7, 'Financial instruments' (effective 1 January 2011) -Emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. This amendment did not have a significant impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(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).

- 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. This amendment did not have a significant impact on the Group’s consolidated financial statements.

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

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

- IFRS 1 (Amendment), ‘First time adoption of IFRS’ (effective1 July 2011).
- IAS 34 (Amendment), ‘Interim financial reporting’ (effective1 January 2011).
- IFRIC 13 (Amendment), ‘Customer loyalty programmes’ (effective 1 January 2011).

(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 on or after 1 January 2012 but have not been early adopted by the Group:

- IFRS 13, ‘Fair value measurement’ (effective 1 January 2013), 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 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.

- 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 statement of financial position vehicles. The Group is yet to assess IFRS 12’s full impact.

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)

2.1 Basis of preparation (continued)

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

- IFRS 11, ‘Joint arrangements’ (effective 1 January 2013) IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group is yet to assess IFRS 11’s full impact.

- IFRS 10 ‘Consolidated financial statements’ (effective 1 January 2013) 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 2015). 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 consolidated financial statements.

- IFRS 7 (Amendment) ‘Financial instruments: Disclosure’ (effective from 1 January 2012). This amendment addresses the disclosures on transfers of financial assets, promote transparency in the reporting of transfer transactions and improves users’ understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity’s financial position, particularly those involving securitisation of financial assets. The Group is yet to assess the full impact of the amendments.

- IAS 27 (revised 2011), ‘Separate financial statements’ (effective 1 January 2013). IAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The Group is yet to assess the full impact of the revision.

- IAS 28 (revised 2011), ‘Associates and joint ventures’ (effective 1 January 2013). IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The Group is yet to assess the full impact of the revision.

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)

2.1 Basis of preparation (continued)

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

- IAS 19, 'Employee benefits' was amended in June 2011 (effective 1 January 2013). The impact on the Group will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in other comprehensive income (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.

- IAS 12 (Amendment), IAS 12 addresses 'Income taxes' (effective 1 January 2012), for deferred tax it currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes - recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The Group is yet to assess IAS 12's full impact.

- IAS 1 (Amendment), 'Financial statement presentation of IFRS' (effective 1 July 2012). The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The Group is yet to assess the full impact of the amendments.

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)

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 2012

(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 entities 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 other comprehensive income.

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

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

2 Summary of Significant Accounting Policies (Continued)

2.3 Foreign currency translation (continued)

(iii) **Foreign Branch operations**

The results and financial position of all the branches or agencies (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 the statement of financial position;

(b) income and expenses for each statement of comprehensive income 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

(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 recognised 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.

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)

2.5 Financial assets

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

a) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group has designated as available-for-sale. Loans and receivables are recognised initially at fair value and are subsequently carried at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to their original terms. (See Note 2.6 for the accounting policy on impairment). Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. (See Note 2.8 (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.

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 other comprehensive income. 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 other comprehensive income. 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 recognised in the consolidated statement of comprehensive income. Dividends on the available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income when the Group's right to receive payment is established. Both are included in the investment income line.

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)

2.5 Financial assets (continued)

Purchases and sales of investments are recognised on the 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 consolidated 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) Assets classified as available for sale

The Group assesses at each date of the consolidated statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. 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 is an objective evidence of impairment resulting in the recognition of an impairment loss. In this respect, a decline of 20% or more is regarded as significant, and a period of 12 months or longer is considered to be prolonged. If any such quantitative evidence exists for available-for-sale financial assets, the asset is considered for impairment, taking qualitative evidence into account. The cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in the consolidated statement of comprehensive income. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income. If in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

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

2.5 **Impairment of assets (continued)**

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.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)

2.6 Impairment of assets (continued)

b) Financial assets carried at amortised cost (continued)

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Group's grading process that considers asset type, industry, geographical location, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

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

c) Impairment of other non-financial assets

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

2.7 Cash and cash equivalents

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

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

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

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.

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

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

2.8 **Insurance contracts (continued)**

a) **Recognition and measurement (continued)**

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

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

Short term life insurance contracts

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

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

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

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)

2.8 Insurance contracts (continued)

a) Recognition and measurement (continued)

Short term life insurance contracts (Continued)

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 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.

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)

2.8 Insurance contracts (continued)

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. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

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.

In certain cases, a reinsurance contract is entered into retrospectively to reinsure a notified claim under the Group's property or casualty insurance contracts. Where the premium due to the reinsurer differs from the liability established by the Group for the related claim, the difference is amortised over the estimated remaining settlement period.

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 recognised 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 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.

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)

2.10 Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income. In this case, the tax is also recognised directly in other comprehensive income. 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 2012
(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 recognised 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.

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)

2.13 Revenue recognition (continued)

(iv) Dividend income

Dividend income from equities is recognised when the right to receive payment is established.

2.14 Dividend distribution

Dividend distribution to the 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, plant and equipment 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 consolidated 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.

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

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.

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)

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.

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 $5,635,095 (2011:$ 4,479,788) and a fall in profit before tax of $2,247,663 (2011:$ 2,285,649).

(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 $159,612 (2011: $109,944) and a fall in profit before tax of $146,335 (2011: $94,639).

(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 $1,434,774 (2011: $1,339,908) and a fall in profit before tax of $793,114 (2011: $474,767).

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

3 Critical Accounting Estimates And Judgments In Applying Accounting Policies (Continued)

3.1 Estimates arising from insurance liabilities (continued)

(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 $6,996,491 (2011:$ 6,332,167) and a fall in profit before tax of $3,324,049 (2011:$ 3,865,811).

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 $373,752 (2011: $426,458).

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 $3,227,722 (2011: $2,667,001).

3.4 Pension and post retirement benefits

The cost of these benefits and the present value of the pension liability depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net periodic cost (income) for pension and post-retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost (income) recorded for pension and post-retirement benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The Group determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and post-retirement benefit obligations. In determining the appropriate discount rate, the Group considered interest rates of high-quality corporate bonds and in their absence government bonds, that have terms to maturity approximating the terms of the related pension liability. If the pension obligation were to increase by 5%, this would result in a movement in other comprehensive income of $139,957 (2011: $128,738).

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

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.

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

4 **Management Of Insurance And Financial Risk (Continued)**

4.1 **Insurance risk (continued)**

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

i) **Frequency and severity of claims**

The frequency and severity of casualty claims can be affected by several factors. The most significant incidents of casualty claims is monetary awards granted for bodily injury suffered by employees (for employer's liability/workmen's compensation coverage) or members of the public (for public liability coverage).

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

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

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

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

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

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

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

Sum insured as at 30 June 2012 (all amounts in Trinidad and Tobago $)

Type of Business	Trinidad	Barbados	Dominica	Grenada	St. Lucia	St Vincent	St. Kitts
Motor and Casualty	3,262,960,527	157,691,263	136,165,473	235,773,472	111,620,469	96,371,463	23,874,875
Property	11,960,163,158	1,854,137,127	821,320,237	1,248,614,761	575,825,440	483,342,934	128,381,285
Totals	**15,223,123,685**	**2,011,828,390**	**957,485,710**	**1,484,388,233**	**687,445,909**	**579,714,397**	**152,256,160**

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

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

4 **Management Of Insurance And Financial Risk (Continued)**

4.1 **Insurance risk (continued)**

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

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

Sums insured as at 30 June 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	**12,653,085,875**	**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.

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.

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 $3,816,137 (2011: $3,731,865).

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 $3,253,732 (2011: $1,964,190).

Note 15 presents the development of the estimate of ultimate claim cost for claims notified in a given year.

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

4 **Management Of Insurance And Financial Risk (Continued)**

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 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.

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(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)**

(i) Assets bearing credit risk

Below is an analysis of assets bearing credit risk:

As at 30 June 2012

	Neither past due nor impaired $	Past due but not impaired $	Impaired $	Total $
Financial assets				
- debt securities	64,554,430	--	--	64,554,430
- gross loans and receivables	34,172,382	35,757,544	7,011,991	76,941,917
Less provision for doubtful debts	--	--	(7,011,991)	(7,011,991)
Reinsurance assets	154,296,252	--	--	154,296,252
Other assets	1,492,714	1,947,423	463,050	3,903,187
Less provision for doubtful debts	--	--	(463,050)	(463,050)
Short term deposits	40,266,448	--	--	40,266,448
Cash and cash equivalents	33,172,657	--	--	33,172,657
Total	327,954,883	37,704,967	--	365,659,850

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

The Group currently holds collateral in the sum of $5,336,691 (2011:$ 5,336,691) 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.

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(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)**

(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 2012

	30 – 60 Days $	**Between 60– 90Days $**	**Over 90 Days $**	**Total $**
Financial assets - loans and receivables	14,476,031	20,333,280	948,233	35,757,544
Other assets	1,947,423	--	--	1,947,423
Total	16,423,454	20,333,280	948,233	37,704,967

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

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

	2012 $	**2011 $**
At beginning of year	8,529,154	9,277,625
Decrease in provision for the year	(1,054,113)	(748,471)
At end of year	7,475,041	8,529,154

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

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(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 2012

	Trinidad and Tobago $	Barbados $	Eastern Caribbean $	Total $
Financial assets				
- debt securities	49,240,594	1,038,941	14,274,895	64,554,430
- loans and receivables	47,853,459	3,969,679	18,106,788	69,929,926
Reinsurance assets	77,099,183	34,765,366	42,431,703	154,296,252
Other assets	2,524,789	400,226	515,122	3,440,137
Short term deposits	11,059,584	5,474,321	23,732,543	40,266,448
Cash and cash equivalents	25,463,017	3,003,584	4,706,056	33,172,657
Total	213,240,626	48,652,117	103,767,107	365,659,850

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

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(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 2012

	A $	BBB $	BB or below $	No ratings assigned $	Total $
Debt securities	24,390,250	10,898,331	775,000	28,490,849	64,554,430
Loans and receivables	12,127,785	--	--	57,802,141	69,929,926
Reinsurance assets	154,296,252	--	--	--	154,296,252
Other assets	--	--	--	3,440,137	3,440,137
Short term deposits	14,556,332	5,150,542	3,164,848	17,394,726	40,266,448
Cash and cash equivalents	3,902,222	24,468,265	--	4,802,170	33,172,657
Total	209,272,841	40,517,138	3,939,848	111,930,023	365,659,850

As at 30 June 2011

	A $	BBB $	BB or below $	No ratings assigned $	Total $
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

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(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 2012				
Assets				
Financial assets				
- available-for-sale	23,103,885	38,918,647	15,568,377	77,590,909
- loans and receivables	66,589,739	3,766,797	404,262	70,760,798
Reinsurance assets	151,456,181	2,840,071	--	154,296,252
Other assets	3,440,137	--	--	3,440,137
Short term deposits	40,266,448	--	--	40,266,448
Cash and cash equivalents	33,172,657	--	--	33,172,657
Total	318,029,047	45,525,515	15,972,639	379,527,201
Liabilities				
Insurance Contracts	273,327,246	14,558,523	--	287,885,769
	273,327,246	14,558,523	--	287,885,769
Bank overdraft	--	--	--	--
Reinsurance payable	34,884,637	--	--	34,884,637
Trade and other payables	19,753,172	--	--	19,753,172
	54,637,809	--	--	54,637,809
Total	327,965,055	14,558,523	--	342,523,578

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(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 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

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 2012
(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 2012

Description	Carrying Value $	1% Movement in Interest Rates $
Available-for-sale financial assets	1,144,200	11,442
Short term deposits	40,266,448	402,665
Cash and cash equivalents	33,172,657	331,727

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

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(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)**

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

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

As of 30 June 2012

Description	Carrying Value $	Fair Value $
Available-for-sale financial assets	68,454,345	68,454,345
Mortgage and other loans	4,065,660	3,957,485

As of 30 June 2011

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

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(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 currencies other than Trinidad and Tobago dollars (expressed in Trinidad and Tobago dollars):

	EC $	Barbados $	Other $	Total $
As at 30 June 2012				
Assets				
Financial assets				
- available-for-sale	13,430,095	1,038,941	12,839,729	27,308,765
- loans and receivables	18,106,788	3,969,679	--	22,076,467
Reinsurance assets	42,431,703	34,765,366	--	77,197,069
Other assets	515,122	400,226	--	915,348
Short term deposits	23,732,543	5,474,321	2,771,626	31,978,490
Cash and cash equivalents	4,706,056	3,003,584	775,199	8,484,839
Total assets	102,922,307	48,652,117	16,386,554	167,960,978
Liabilities				
Insurance contracts	72,762,111	49,539,302	--	122,301,413
Bank overdraft	--	--	--	--
Reinsurance payable	3,412,882	2,513,130	--	5,926,012
Trade and other payables	6,921,751	1,506,287	--	8,428,038
	83,096,744	53,558,719	--	136,655,463
Net currency gap	19,825,563	(4,906,602)	16,386,554	31,305,515
Effect of 1% change in exchange rates on statement of comprehensive income	198,256	(49,066)	163,866	313,055

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(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 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	(4,421)	128,497	240,729

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 2012
(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 2012	Carrying Value $	Effect on Equity Of a 5% Change $
Equities		
Listed	5,044,115	252,206
Unlisted	--	--
	5,044,115	252,206
As at 30 June 2011		
Equities		
Listed	5,960,850	298,043
Unlisted	1,121,856	56,093
	7,082,706	354,136

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 other price risk from the prior year.

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(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**

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 2012

Financial Instrument	Carrying Value $	Fair value $
Financial Assets		
Debt securities	64,554,430	64,554,430
Equities	5,044,115	5,044,115
Loans and receivables	69,929,926	69,821,752
Reinsurance assets	154,296,252	154,296,252
Other assets	3,440,137	3,440,137
Short term deposits	40,266,448	40,266,448
Cash and cash equivalents	33,172,657	33,172,657
Financial Liabilities		
Reinsurance payable	34,884,637	34,884,637
Trade and other payables	19,753,172	19,753,172

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 2012
(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)

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.

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(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**

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible. There were no transfers between the levels during the period.

	Level 1 $	Level 2 $	Level 3 $	Total $
As at 30 June 2012				
Assets				
Financial Assets				
- available-for-sale	5,044,115	64,554,430	--	69,598,545

	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

An impairment charge was recognised on Level 3 available for sale financial assets during the year.

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

4 Management Of Insurance And Financial Risk (Continued)

4.2 Financial risk (continued)

4.2.6 Capital management

The Group manages its shareholders' equity of $86,124,732 (2011: $75,509,335) 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 2012
(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 2012						
Opening net book amount	7,840,000	12,415,851	2,120,615	979,673	12,687,270	36,043,409
Additions	--	12,400	637,291	324,625	3,498,218	4,472,534
Disposals	--	--	(32,827)	--	(564,122)	(596,949)
Depreciation charge	(156,800)	(174,166)	(284,735)	(223,642)	(3,428,066)	(4,267,409)
Closing net book amount	7,683,200	12,254,085	2,440,344	1,080,656	12,193,300	35,651,585
At 30 June 2012						
Cost	8,000,000	12,894,769	4,756,113	3,383,972	31,431,979	60,466,833
Accumulated depreciation	(316,800)	(640,684)	(2,315,769)	(2,303,316)	(19,238,679)	(24,815,248)
Net book amount	7,683,200	12,254,085	2,440,344	1,080,656	12,193,300	35,651,585
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	7,840,000	12,415,851	2,120,615	979,673	12,687,270	36,043,409
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	7,840,000	12,415,851	2,120,615	979,673	12,687,270	36,043,409
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	8,000,000	12,569,148	2,061,981	1,111,029	10,970,749	34,712,907

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 $13,085,149 (2011: $13,326,070) (Note 16).

6 Prepaid Lease Rentals

	2012 $	2011 $
Opening balance	21,937,811	22,255,750
Less: Amortisation for the year	(317,939)	(317,939)
Closing balance	21,619,872	21,937,811

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

6 Prepaid Lease Rentals (Continued)

In June 2010, the Company 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 $7.7million (2011: $7.8 million) representing the Company's leasehold interest in the buildings (See Note 5). The leasehold interest in the land of $21.6million (2011: $21.9 million) is included under prepaid lease rentals. The consideration paid by the Company for the acquisition of this leasehold interest was the issuance of 27 million ordinary shares at $1 each and a payment of $3 million 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

	2012 $	2011 $
Retirement Benefit Asset	1,476,139	1,511,951
Amounts recognised in the statement of financial position are as follows:		
Fair value of plan assets	4,366,158	4,296,335
Present value of funded obligations	(2,799,145)	(2,574,758)
	1,567,013	1,721,577
Unrecognised actuarial gains	(90,874)	(209,626)
Retirement Benefit Asset	1,476,139	1,511,951
Movement in the retirement benefit asset recognised over the year is as follows:		
Beginning of year	1,511,951	1,479,540
Net pension (expense)/income	(37,374)	31,155
Contributions paid	1,562	1,256
At end of year	1,476,139	1,511,951
Movement in the present value of funded obligation for the year is as follows:		
Beginning of year	2,574,758	2,301,882
Interest cost	211,448	168,079
Current service cost	323,364	102,863
Benefit payments	(7,242)	(7,242)
Actuarial (gains)/losses	(303,183)	9,176
At end of year	2,799,145	2,574,758
Movement in the fair value of plan assets for the year is as follows:		
Beginning of year	4,296,336	3,947,006
Expected return on plan assets	263,373	237,584
Company contributions	1,562	1,256
Employee contributions	192,139	31,394
Benefit payments	(7,242)	(7,242)
Actuarial (losses)/gains	(380,010)	86,337
At end of year	4,366,158	4,296,335

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

7 **Retirement Benefit Asset (Continued)**	**2012** **$**	**2011** **$**
Amounts recognised in the statement of comprehensive income:		
Current service cost	129,661	70,209
Company contributions	1,562	1,256
Interest cost	211,448	168,079
Expected return on plan assets	(263,373)	(237,584)
Net actuarial gains	(41,924)	(33,115)
Net pension expense/ (income)	37,374	(31,155)
Actual return on plan assets	(116,638)	323,922

The principal assumptions used in the actuarial valuation are as follows:

Discount rate at end of year	7.5%	7.0%
Expected return on plan assets at end of year	6.0%	6.0%
Future salary increases	6.5%	6.0%
Future pension increases	3.0%	2.5%
Mortality - US Mortality tables	GAM94	GAM94

	2012 **$**	**2011** **$**
The plan assets are invested in a managed fund held at Sagicor Life Inc.	4,366,158	4,296,335

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 2013 are $1,572.

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

	2012 **$**	**2011** **$**	**2010** **$**	**2009** **$**	**2008** **$**
Present value of funded Obligation	(2,799,145)	(2,574,758)	(2,301,882)	(2,414,943)	(2,135,674)
Fair value of plan assets	4,366,158	4,296,335	3,947,006	3,875,884	4,131,032
Surplus	1,567,013	1,721,577	1,645,124	1,460,941	1,995,358
Experience adjustment on plan assets	(380,010)	86,337	(223,628)	(564,420)	(11,715)
Experience adjustment on plan liabilities	(303,183)	9,176	(408,943)	31,722	1,694,462

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

8 **Financial Assets - Available-For-Sale**	**2012 $**	**2011 $**
Equities	9,430,661	10,278,958
Government bonds	26,573,655	30,958,266
Corporate bonds	37,980,775	21,145,766
Provision for impairment	(4,386,546)	(3,196,252)
	69,598,545	59,186,738

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

At beginning of year	59,186,738	10,776,582
Additions	18,149,473	46,723,994
Disposals	(4,617,487)	(616,516)
Net fair value change for the year	(1,929,885)	2,875,769
Impairment loss recognised for the year	(1,190,294)	(573,091)
At end of year	69,598,545	59,186,738

9 **Financial Assets – Loans And Receivables**

Mortgage and other loans	4,065,660	3,888,474
Amounts due from reinsurers	12,127,785	8,268,600
Amounts due from brokers	39,016,567	32,487,574
Amounts due from policyholders	14,719,914	16,236,280
	69,929,926	60,880,928
Current portion	68,272,101	60,099,526
Non Current portion	1,657,825	781,402
	69,929,926	60,880,928

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

10 Reinsurance Assets

	2012 $	2011 $
Non-current	2,840,071	1,656,784
Current	151,456,181	109,162,023
Total assets arising from reinsurance contracts (Note 15)	154,296,252	110,818,807

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 tax account is as follows:

	2012	2011
At beginning of year	(128,546)	(1,176,246)
(Credit)/charge to statement of comprehensive income (Note 20)	(401,855)	328,757
(Credit)/charge to other comprehensive income	(482,473)	718,943
At end of year	(1,012,874)	(128,546)

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 consolidated statement of financial position:

	2012	2011
Deferred income tax assets	(3,075,900)	(2,380,134)
Deferred income tax liabilities	2,063,026	2,251,588
	(1,012,874)	(128,546)

Deferred income tax assets are recognised for tax loses 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 other comprehensive income are attributable to the following items:

	Balance as at 01.07.11 $	Charge/(Credit) to Statement of Comprehensive Income $	Credit to Other Comprehensive Income $	Balance as at 30.06.12 $
Deferred income tax liabilities:				
Fair value gains on available-for-sale securities	965,020	--	(482,473)	482,547
Retirement benefit asset	377,985	(8,953)	--	369,032
Accelerated tax depreciation	908,583	302,864	--	1,211,447
	2,251,588	293,911	(482,473)	2,063,026
Deferred income tax assets:				
Impairment provision	(749,065)	(347,573)	--	(1,096,638)
Tax losses carried forward	(1,631,069)	(348,193)	--	(1,979,262)
	(2,380,134)	(695,766)	--	(3,075,900)
Net deferred income tax asset	(128,546)	(401,855)	(482,473)	(1,012,874)

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

11 **Deferred Income Taxes (Continued)**

	Balance as at 01.07.10 $	Charge/(Credit) to Consolidated Statement of Comprehensive Income $	Charge to Other Comprehensive Income $	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
	1,525,344	7,301	718,943	2,251,588
Deferred income tax assets:				
Impairment provision	(655,790)	(93,275)	--	(749,065)
Tax losses carried forward	(2,045,800)	414,731	--	(1,631,069)
	(2,701,590)	321,456	--	(2,380,134)
Net deferred income tax asset	(1,176,246)	328,757	718,943	(128,546)

	2012 $	2011 $
Deferred income tax liabilities:		
- to be realised after more than 12 months	1,768,839	2,242,935
- to be realised within 12 months	294,187	8,653
	2,063,026	2,251,588
Deferred income tax assets:		
- to be recovered after more than 12 months	(1,856,542)	(1,605,135)
- to be recovered within 12 months	(1,219,358)	(774,999)
	(3,075,900)	(2,380,134)

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

12 Short Term Deposits

	2012 $	2011 $
(i) At banks	29,089,980	34,570,763
(ii) Supervisor of Insurance	7,890,640	2,590,639
(iii) Treasury bills	3,285,828	18,156,794
	40,266,448	55,318,196

The amounts included in (ii) above represent cash deposits with the respective Supervisors of Insurance held towards the Group's statutory deposits requirements. These deposits have an average effective interest rate of 2.40% (2011: 2.93%).

13 Share Capital

In June 2010, the Board of Directors approved the issuance of 27,000,000 ordinary shares at a value of $1each to CGH Limited, a related party. The Company obtained a leasehold interest in land and buildings from CGH Limited as consideration for these shares.

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 Company.

	2012 $	2011 $
Authorised		
Unlimited ordinary shares of no par value		
Issued and fully paid		
34,666,667 ordinary shares of no par value	39,000,000	39,000,000

14 Statutory Reserve

	2012 $	2011 $
Balance at beginning of year	10,312,446	9,030,351
Transfer from consolidated statement of comprehensive income	1,248,934	1,282,095
Balance at end of year	11,561,380	10,312,446

As required by section 171 of the Insurance Act 1980 of Trinidad and Tobago, at least 25% of the Company'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.

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

15 Insurance Liabilities And Reinsurance Assets

	2012 $	2011 $
Insurance liabilities – gross		
Short term insurance contracts		
Claims reported and loss adjustment expenses	112,701,908	89,595,756
Claims incurred but not reported	28,695,470	26,798,152
Total insurance claims liability	141,397,378	116,393,908
Unearned premiums	139,929,819	126,643,339
Unexpired risks provision	3,366,328	4,235,546
Total unearned premiums and unexpired risk liability	143,296,147	130,878,885
Long term insurance contracts		
- Annuities	1,583,421	1,224,779
- Term life	1,608,823	974,091
Total long term insurance contracts	3,192,244	2,198,870
Total insurance liabilities – gross	287,885,769	249,471,663
Recoverable from reinsurers		
Short term insurance contracts		
Claims reported and loss adjustment expenses	67,748,651	43,882,782
Claims incurred but not reported	12,833,199	17,302,819
Total insurance claims recoverable	80,581,850	61,185,601
Unearned premiums	73,448,847	49,327,124
Long term insurance contracts	265,555	306,082
Total reinsurers' share of insurance liabilities	154,296,252	110,818,807
Insurance liabilities – net		
Short term insurance contracts		
Claims reported and loss adjustment expenses	44,953,257	45,712,974
Claims incurred but not reported	15,862,271	9,495,333
Total insurance claims liability	60,815,528	55,208,307
Unearned premiums	66,480,972	77,316,215
Unexpired risks provision	3,366,328	4,235,546
Total unearned premiums and unexpired risk	69,847,300	81,551,761
Long term insurance contracts		
- Annuities	1,583,421	1,224,779
- Term life	1,343,268	668,009
Total long term insurance contracts	2,926,689	1,892,788
Total insurance liabilities - net	133,589,517	138,652,856
Current	121,871,065	128,396,636
Non-current	11,718,452	10,256,220
Total insurance liabilities – net	133,589,517	138,652,856

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(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 consolidated statement of financial position. An accident year basis is considered to be most appropriate for the business written by the Group.

Accident year	2003 $	2004 $	2005 $	2006 $	2007 $	2008 $	2009 $	2010 $	2011 $	2012 $	TOTAL $
Insurance claims - gross											
- at end of accident	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	150,895,817	
- one year later	23,061,379	28,551,248	114,693,994	44,149,836	27,787,420	62,607,760	58,975,229	74,494,606	95,048,645	--	
- two years later	23,536,966	28,973,386	115,694,834	46,320,506	27,518,540	60,540,860	57,528,297	75,895,017	--	--	
- three years later	23,821,232	28,355,873	116,100,505	35,432,675	27,158,485	58,820,268	57,353,722	--	--	--	
- four years later	24,732,140	28,176,833	115,968,219	35,342,110	25,172,650	55,301,338	--	--	--	--	
- five years later	25,881,172	28,240,489	116,514,035	36,010,471	25,274,112	--	--	--	--	--	
- six years later	25,725,713	27,386,518	117,094,530	35,969,085	--	--	--	--	--	--	
- seven years later	25,640,206	27,174,584	117,053,007	--	--	--	--	--	--	--	
- eight years later	24,812,643	27,245,463	--	--	--	--	--	--	--	--	
- nine years later	24,789,612	--	--	--	--	--	--	--	--	--	
Current estimate of cumulative claims	24,789,612	27,245,463	117,053,007	35,969,085	25,274,112	55,301,338	57,353,722	75,895,017	95,048,645	150,895,817	664,825,818
Cumulative payments to date	(24,591,416)	(26,348,640)	(93,909,458)	(32,999,129)	(25,042,360)	(43,189,300)	(55,160,347)	(67,156,761)	(86,338,615)	(69,666,279)	(524,402,305)
	198,196	896,823	23,143,549	2,969,956	231,752	12,112,038	2,193,375	8,738,256	8,710,030	81,229,538	140,423,513
Liabilities in respect of years prior to 2003											973,865
Total insurance claims liability – gross											141,397,378

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(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	2003 $	2004 $	2005 $	2006 $	2007 $	2008 $	2009 $	2010 $	2011 $	2012 $	TOTAL $
Insurance claims – net - at end of accident	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	91,431,740	
- one year later	17,587,834	19,212,084	36,850,655	25,634,379	25,006,026	44,390,266	42,687,171	57,916,905	64,562,533	--	
- two years later	17,959,780	19,569,733	38,007,169	26,672,171	24,190,301	45,289,338	40,752,823	60,498,039	--	--	
- three years later	17,995,769	20,156,728	39,055,178	25,669,373	24,313,540	43,661,728	40,931,313	--	--	--	
- four years later	18,663,458	20,028,151	38,637,300	24,688,202	22,876,513	38,607,266	--	--	--	--	
- five years later	19,351,531	20,045,927	38,054,871	25,839,630	22,935,478	--	--	--	--	--	
- six years later	18,714,181	19,840,333	37,724,013	25,799,562	--	--	--	--	--	--	
- seven years later	18,911,422	19,633,077	36,740,286	--	--	--	--	--	--	--	
-eight years later	18,612,504	19,698,955	--	--	--	--	--	--	--	--	
-nine years later	18,589,473	--	--	--	--	--	--	--	--	--	
Current estimate of cumulative claims	18,589,473	19,698,955	36,740,286	25,799,562	22,935,478	38,607,266	40,931,313	60,498,039	64,562,533	91,431,740	419,794,645
Cumulative payments to date	(18,459,972)	(18,814,833)	(36,320,657)	(23,192,654)	(22,770,731)	(32,634,000)	(38,952,907)	(53,654,355)	(57,000,952)	(57,554,163)	(359,355,224)
	129,501	884,122	419,629	2,606,908	164,747	5,973,266	1,978,406	6,843,684	7,561,581	33,877,577	60,439,421
Liabilities in respect of years prior to 2003											376,107
Total insurance claims liability – net											60,815,528

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(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 the 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)
30 June 2012
(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

2012 Gross $	2012 Reinsurance $	2012 Net $		2011 Gross $	2011 Reinsurance $	2011 Net $
			Year ended 30 June			
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 beginning of year**	122,764,929	(63,782,330)	58,982,599
(100,489,579)	34,477,308	(66,012,271)	Cash paid for claims settled in year	(91,327,181)	32,522,993	(58,804,188)
			Increase/(decrease) in liabilities			
150,895,817	(59,464,078)	91,431,739	- arising from current year claims	120,241,500	(47,507,467)	72,734,033
(25,402,768)	5,590,521	(19,812,247)	- arising from prior year claims	(35,285,340)	17,581,203	(17,704,137)
141,397,378	(80,581,850)	60,815,528	**Total at end of year**	116,393,908	(61,185,601)	55,208,307
112,701,908	(67,748,651)	44,953,257	Notified claims	89,595,756	(43,882,782)	45,712,974
28,695,470	(12,833,199)	15,862,271	Incurred but not reported	26,798,152	(17,302,819)	9,495,333
141,397,378	(80,581,850)	60,815,528	**Total at end of year**	116,393,908	(61,185,601)	55,208,307

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(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

2012 Gross $	2012 Reinsurance $	2012 Net $		2011 Gross $	2011 Reinsurance $	2011 Net $
			Year ended 30 June			
			Unearned premium provision			
126,643,339	49,327,124	77,316,215	At beginning of year	113,934,145	45,410,115	68,524,030
139,929,819	73,448,847	66,480,972	Increase in the period	126,643,339	49,327,124	77,316,215
(126,643,339)	(49,327,124)	(77,316,215)	Release in the period	(113,934,145)	(45,410,115)	(68,524,030)
139,929,819	73,448,847	66,480,972	**At end of year**	126,643,339	49,327,124	77,316,215
			Year ended 30 June			
			Unexpired risk provision			
4,235,546	--	4,235,546	At beginning of year	3,777,745	--	3,777,745
3,366,328	--	3,366,328	Increase in the period	4,235,546	--	4,235,546
(4,235,546)	--	(4,235,546)	Release in the period	(3,777,745)	--	(3,777,745)
3,366,328	--	3,366,328	**At end of year**	4,235, 546	--	4,235, 546

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

16 Bank Borrowing Facilities

The Group's borrowing facilities comprise the following:

	2012 $	2011 $
Undrawn overdraft facility	1,000,000	1,000,000
Letter of Credit	4,600,000	4,600,000
	5,600,000	5,600,000

These facilities are secured by land and buildings totalling $13,085,149 (2011: $13,326,070) included in property, plant and equipment.

17 Net Realised Gains on Financial Assets

	2012 $	2011 $
Realised gains on the disposal of available-for-sale financial assets	11,153	249,537
Fair value gains on available-for-sale financial assets transferred from other comprehensive income	138,023	--
	149,716	249,537

18 Insurance Claims And Loss Adjustment Expenses

	2012			2011		
	Gross $	Reinsurance $	Net $	Gross $	Reinsurance $	Net $
Current year claims and loss adjustment expenses	150,895,817	(59,464,078)	91,431,739	120,241,500	(47,507,467)	72,734,033
Prior year claims and loss adjustment expenses	(25,402,768)	5,590,521	(19,812,247)	(35,285,340)	17,581,203	(17,704,137)
	125,493,049	(53,873,557)	71,619,492	84,956,160	(29,926,264)	55,029,896

19 Other Operating and Administrative Expenses

	2012 $	2011 $
Staff Costs (See Note 21)	29,130,017	25,553,093
Depreciation and amortisation	4,585,348	4,437,702
Advertising	7,485,783	4,390,310
Rent and utilities	7,922,070	6,463,050
Professional fees	2,546,746	4,077,758
Impairment loss recognised	1,190,294	573,091
Operating lease rentals	760,900	760,900
Other miscellaneous expenses	12,838,759	12,065,394
	66,459,917	58,321,298

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

20 Taxation

	2012 $	2011 $
Current tax	5,563,961	4,207,127
Deferred income tax (Note 11)	(401,855)	328,757
Prior years under provision	73,951	8,112
	5,236,057	4,543,996

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

	2012 $	2011 $
Profit before taxation	17,298,867	16,286,630
Tax calculated at the rate of 25%	4,324,717	4,071,658
Effect of different tax rates in other countries	552,051	379,348
Income not subject to tax	(276,118)	(134,292)
Expenses not deductible for tax purposes	561,456	219,170
Prior year under provision	73,951	8,112
Tax charge	5,236,057	4,543,996

21 Staff Costs

	2012 $	2011 $
Wages and salaries	28,039,036	24,680,985
National insurance	1,053,607	903,263
Net pension expense/(income) – defined contribution and defined benefit plan	37,374	(31,155)
	29,130,017	25,553,093
Number of persons employed by the Group	190	166

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:

		2012 $	2011 $
i)	Leasing of equipment and premises	819,700	819,700
ii)	Administrative services	239,500	212,000
iii)	Amounts due from / (to) directors	314,261	(35,087)
iv)	Prepaid lease rentals	21,619,872	21,937,811
v)	Leasehold property	7,683,200	7,840,000
vi)	Advances/(repayment) of loans and advances	708,806	--

Notes to the Consolidated Financial Statements (Continued)
30 June 2012
(Expressed in Trinidad and Tobago Dollars)

22 **Related Party Balances And Transactions (Continued)**	**2012** **$**	**2011** **$**
vii) Key management compensation		
The compensation paid or payable to key management for employee services is shown below:		
Salaries and other short-term employee benefits	9,851,515	8,437,731

23 **Dividend Per Share**

The dividend paid in 2012 was $nil (2011: $168,000). This represented a dividend per share of $nil (2011: $0.02)

24 **Commitments**

(a) **Capital commitments**

The following were the capital commitments of the Group:

Systems upgrade project	--	2,878,362
	--	2,878,362

(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	903,857	989,358
Later than one year and no later than five years	1,008,696	1,022,702
	1,912,553	2,012,060

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

Notes

Beacon

13 Stanmore Avenue, PO Box 837
Port of Spain, Trinidad & Tobago
(t) +1 868 623 2266
(f) +1 868 623 9900
info@beacon.co.tt

beacon.co.tt