



Accountants &  
business advisers

**THE MARITIME FINANCIAL GROUP**  
**(Maritime Life (Caribbean) Limited and its subsidiaries)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2008**



Accountants &  
business advisers

**THE MARITIME FINANCIAL GROUP**  
**(Maritime Life (Caribbean) Limited and its subsidiaries)**

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008**

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**THE MARITIME FINANCIAL GROUP**  
**(Maritime Life (Caribbean) Limited and its subsidiaries)**

**DIRECTORS' REPORT**

**MARITIME LIFE (CARIBBEAN) LIMITED**

To be presented at the Thirty-seventh Annual General Meeting of the shareholders to be held at the Corporate Offices, Maritime Centre, 29 Tenth Avenue, Barataria on April 24<sup>th</sup>, 2009.

Your directors have pleasure in submitting their report for the year ended 31<sup>st</sup> December 2008.

	<b>Company</b> <b>2008</b> <b>\$'000</b>	<b>Group</b> <b>2008</b> <b>\$'000</b>
<b>1. Income for the year</b>		
Net income for the year	8,605	16,410
Less: Taxation	<u>3,776</u>	<u>7,184</u>
Net income for the year	4,829	9,226
Less: Minority interest	-	934
Amount transferred to Catastrophe Reserve	-	3,734
Amount transferred to General Reserve	-	795
Amount transferred to Statutory Reserves	-	1,894
Dividends paid – 2007 (22¢)	<u>2,392</u>	<u>2,392</u>
Leaving a balance to be carried forward of	<u><u>2,437</u></u>	<u><u>(523)</u></u>
<b>2. Capital reserve</b>	<u><u>69,930</u></u>	<u><u>72,352</u></u>
<b>3. Insurance contracts liabilities</b>	<u><u>897,009</u></u>	<u><u>1,086,794</u></u>
4. The directors have proposed a dividend of 22¢ per share, amounting to \$2,391,705 payable on April 24 <sup>th</sup> , 2009 to shareholders on record at April 8 <sup>th</sup> , 2009.		
5. In accordance with By Law 4.3 all the directors with the exception of the Managing Director, retire from office and being eligible offer themselves for re-election.		
6. The auditors, Messrs. PKF Accountants and Business Advisors, retire and being eligible, offer themselves for re-appointment as auditors of the Company.		

**BY ORDER OF THE BOARD**

**THE MARITIME FINANCIAL GROUP LIMITED**

Secretary

**THE MARITIME FINANCIAL GROUP**  
**(Maritime Life (Caribbean) Limited and its subsidiaries)**

**CORPORATE INFORMATION**

**MARITIME LIFE (CARIBBEAN) LIMITED**

<b>ADVISORY BOARD</b>	Bruce A. Mc I. Procope, QC - Chairman Hugh P. Eastman Barbara Gomes Jean Khoury	
<b>BOARD OF DIRECTORS</b>	John H. Smith, FCCA, CA Andrew Ferguson, BSc, CPCU, ARe, FLMI Lesley J. Alfonso, BBA	
<b>EXECUTIVE MANAGEMENT</b>	John H. Smith, FCCA, CA	Chairman/Managing Director/ Chief Executive Officer
	Andrew Ferguson, BSc, CPCU, ARe, FLMI	Chief Operating Officer/Director- Enterprise Risk Management
	Oliver Camps	Chairman - General Insurance Services
	Lesley J. Alfonso, BBA	Manager - Corporate Relations
	Salahudeen Ali, FCCA, CA, CGA	Chief Financial Officer
	Ricardo Baynes, BSc (Hons), FLMI/M	Manager - Technology Services
	Andre Baptiste, FLMI	General Manager - Career Agency Development
	Roger Gomes, FCCA	General Manager - Financial and Trust Services
	Baliram Sawh, ACII	General Manager - General Insurance Services
	Kenny Sohun	General Manager - Retail Operations
<b>BANKERS</b>	Scotiabank Trinidad & Tobago Limited, Port of Spain. RBTT Bank Limited, Port of Spain. Republic Bank Limited, Port of Spain.	
<b>ATTORNEYS</b>	Chersons, Port of Spain. Lex Caribbean, Port of Spain. Pollonais, Blanc, de la Bastide & Jacelon, Port of Spain.	
<b>APPOINTED ACTUARY</b>	Nazir Valani, FSA	
<b>AUDITORS</b>	PKF Accountants and Business Advisors, Port of Spain.	
<b>REGISTERED OFFICE</b>	29 Tenth Avenue, Barataria	

**THE MARITIME FINANCIAL GROUP  
(Maritime Life (Caribbean) Limited and its subsidiaries)**

**NOTICE OF MEETING**

**MARITIME LIFE (CARIBBEAN) LIMITED**

NOTICE is hereby given that the Thirty-seventh Annual General Meeting of the above-named Company will be held at the Corporate Offices, Maritime Centre, 29 Tenth Avenue, Barataria on Friday April 24<sup>th</sup>, 2009 at 1:45 pm for the following purposes:-

1. To receive the Audited Financial Statements for the year ended 31<sup>st</sup> December, 2008, together with the Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To re-elect retiring directors.
4. To appoint Auditors and authorise the Directors to determine the remuneration of such Auditors.
5. To transact any other ordinary business.

**BY ORDER OF THE BOARD**

**THE MARITIME FINANCIAL GROUP LIMITED**

**Secretary**

**April 1, 2009**

**Registered Office:**

Maritime Centre  
29 Tenth Avenue  
Barataria  
Trinidad, W.I.

**NOTES:**

A member entitled to attend and vote is entitled to appoint a proxy to attend and vote on his behalf and such proxy need not also be a member of the Company.

If the appointer is a corporation, the form of proxy must be under its common seal or under the hand of an officer of the corporation or attorney duly authorised in that behalf.


To be valid the instrument appointing a proxy duly completed and executed must be deposited at the registered office of the Company not less than forty-eight hours before the time appointed for holding the meeting.

**THE MARITIME FINANCIAL GROUP**  
**(Maritime Life (Caribbean) Limited and its subsidiaries)**

**ACTUARIAL CERTIFICATE**

**Maritime Life (Caribbean) Limited**

In accordance with section 56 (2) of the Insurance Act 1980, I have made a valuation of the actuarial liabilities of Maritime Life (Caribbean) Limited for its balance sheet as at December 31, 2008. In my opinion, the aggregate amount of the liabilities of the Company in relation to its long term insurance business as at December 31, 2008 did not exceed the aggregate amount of those liabilities shown in the balance sheet of the Company.

  
Nazir Valani, FSA  
Appointed Actuary

April 08, 2009



Accountants &  
business advisers

**THE MARITIME FINANCIAL GROUP**  
**(Maritime Life (Caribbean) Limited and its subsidiaries)**

**INDEPENDENT AUDITORS' REPORT**

**To the Shareholders of**  
**Maritime Life (Caribbean) Limited**

***Report on the Financial Statements***

We have audited the accompanying consolidated financial statements of Maritime Life (Caribbean) Limited and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2008, the consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 of December 31, 2008 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion we draw attention to Note 36 to the consolidated financial statements. The State laid several charges on the Company and two of its subsidiaries, together with other companies and individuals. The ultimate outcome of these matters cannot presently be determined, and no provision for any liability that may result has been made in the consolidated financial statements.

**Port-of-Spain**  
**TRINIDAD**


**April 08, 2009**

**THE MARITIME FINANCIAL GROUP**  
**(Maritime Life (Caribbean) Limited and its subsidiaries)**

**BALANCE SHEETS**  
**AT DECEMBER 31, 2008**

Company				Group	
2007	2008			2008	2007
\$'000	\$'000		Notes	\$'000	\$'000
252,616	290,349	Current assets	4	382,337	301,330
-	-	Deferred tax assets	5	1,038	670
55,585	54,535	Investments in subsidiaries	6	-	-
486,100	494,650	Financial assets	7	773,375	774,949
72,885	73,972	Investment properties	8	85,972	84,885
156,259	152,103	Property, plant and equipment	9	190,400	184,548
<u>1,023,445</u>	<u>1,065,609</u>	<b>Total Assets</b>		<u>1,433,122</u>	<u>1,346,382</u>
<b>Financed By:</b>					
45,948	43,950	Current liabilities	10	134,025	121,703
1,194	418	Deferred tax liabilities	11	530	1,521
863,389	897,009	Insurance contracts liabilities	12	1,086,794	1,027,100
<u>910,531</u>	<u>941,377</u>	<b>Total Liabilities</b>		<u>1,221,349</u>	<u>1,150,324</u>
10,871	10,871	Stated capital	13	10,871	10,871
69,930	69,930	Capital reserve	14	72,352	72,352
-	-	Catastrophe reserve	15	9,689	5,955
15,500	15,500	General reserve	16	20,210	19,415
(8,881)	-	Investment revaluation reserve	17	-	(8,881)
-	-	Statutory reserves	18	22,333	20,439
25,494	27,931	Retained earnings		67,930	68,453
112,914	124,232	Equity attributable to Shareholders of the Company		203,385	188,604
-	-	Minority interest	19	8,388	7,454
<u>112,914</u>	<u>124,232</u>	<b>Total Equity</b>		<u>211,773</u>	<u>196,058</u>
<u>1,023,445</u>	<u>1,065,609</u>	<b>Total Liabilities and Equity</b>		<u>1,433,122</u>	<u>1,346,382</u>

These financial statements were approved by the Board of Directors and authorised for issue on April 08, 2009 and are signed on their behalf by:

  
 Jody H. Smith  
 Director

  
 Andrew Ferguson  
 Director

The notes on pages 12 to 66 form part of these financial statements.



**THE MARITIME FINANCIAL GROUP**  
**(Maritime Life (Caribbean) Limited and its subsidiaries)**

**STATEMENTS OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

<b>Company</b>				<b>Group</b>	
<b>2007</b>	<b>2008</b>			<b>2008</b>	<b>2007</b>
<b>\$'000</b>	<b>\$'000</b>		<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>
		<b>Revenue</b>			
95,873	113,884	Premium income		275,620	242,272
223	1,012	Reinsurance recoveries		7,854	4,577
55,979	42,349	Investment income	20	52,953	73,419
<u>9,757</u>	<u>17,096</u>	Other income	21	<u>82,851</u>	<u>71,059</u>
<u>161,832</u>	<u>174,341</u>			<u>419,278</u>	<u>391,327</u>
		<b>Expenses</b>			
83,754	93,032	Policyholders' benefits	22	173,628	162,001
6,036	6,070	Reinsurance premiums		50,465	45,570
-	-	Interest on deposits		2,218	1,207
19,653	22,243	Other direct costs	23	97,830	89,286
<u>48,438</u>	<u>44,391</u>	Expenses of management	24	<u>78,727</u>	<u>78,573</u>
<u>157,881</u>	<u>165,736</u>			<u>402,868</u>	<u>376,637</u>
3,951	8,605	<b>Surplus before taxation</b>		16,410	14,690
<u>2,860</u>	<u>3,776</u>	Taxation	25	<u>7,184</u>	<u>6,720</u>
<u>1,091</u>	<u>4,829</u>	<b>Surplus after taxation</b>		<u>9,226</u>	<u>7,970</u>
		<b>Surplus attributable to:</b>			
-	-	Minority interest		934	674
<u>1,091</u>	<u>4,829</u>	Shareholders of the Company		<u>8,292</u>	<u>7,296</u>
<u>1,091</u>	<u>4,829</u>			<u>9,226</u>	<u>7,970</u>

The notes on pages 12 to 66 form part of these financial statements.

**THE MARITIME FINANCIAL GROUP**  
**(Maritime Life (Caribbean) Limited and its subsidiaries)**

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	Stated capital \$'000	Capital reserve \$'000	Catastrophe reserve \$'000	General reserve \$'000	Investment revaluation reserve \$'000	Statutory reserves \$'000	Retained earnings \$'000	Total equity \$'000
<b>Group</b>								
<b>Balance at December 31, 2006</b>	<u>10,871</u>	<u>67,741</u>	<u>4,782</u>	<u>19,415</u>	<u>(7,344)</u>	<u>18,500</u>	<u>66,662</u>	<u>180,627</u>
Surplus attributable to shareholders	-	-	-	-	-	-	7,296	7,296
Revaluation surplus	-	4,611	-	-	-	-	-	4,611
Fair value adjustment – available for sale financial assets	-	-	-	-	(1,537)	-	-	(1,537)
	-	4,611	-	-	(1,537)	-	7,296	10,370
Dividends paid 2006 (22 ¢)	-	-	-	-	-	-	(2,393)	(2,393)
Transfers from retained earnings	-	-	1,173	-	-	1,939	(3,112)	-
	-	4,611	1,173	-	(1,537)	1,939	1,791	7,977
<b>Balance at December 31, 2007</b>	<u>10,871</u>	<u>72,352</u>	<u>5,955</u>	<u>19,415</u>	<u>(8,881)</u>	<u>20,439</u>	<u>68,453</u>	<u>188,604</u>
Surplus attributable to shareholders	-	-	-	-	-	-	8,292	8,292
Transfer to statement of income - available for sale financial assets	-	-	-	-	8,881	-	-	8,881
	-	-	-	-	8,881	-	8,292	17,173
Dividends paid 2007 (22¢)	-	-	-	-	-	-	(2,392)	(2,392)
Transfers from retained earnings	-	-	3,734	795	-	1,894	(6,423)	-
	-	-	3,734	795	8,881	1,894	(523)	14,781
<b>Balance at December 31, 2008</b>	<u>10,871</u>	<u>72,352</u>	<u>9,689</u>	<u>20,210</u>	<u>-</u>	<u>22,333</u>	<u>67,930</u>	<u>203,385</u>

The notes on pages 12 to 66 form part of these financial statements.

**THE MARITIME FINANCIAL GROUP**  
**(Maritime Life (Caribbean) Limited and its subsidiaries)**

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**(CONTINUED)**

	Stated capital \$'000	Capital reserve \$'000	Catastrophe reserve \$'000	General reserve \$'000	Investment revaluation reserve \$'000	Statutory reserves \$'000	Retained earnings \$'000	Total equity \$'000
<b>Company</b>								
<b>Balance at December 31, 2006</b>	<u>10,871</u>	<u>65,319</u>	<u>-</u>	<u>15,500</u>	<u>(7,344)</u>	<u>-</u>	<u>26,796</u>	<u>111,142</u>
Surplus attributable to shareholders	-	-	-	-	-	-	1,091	1,091
Revaluation surplus	-	4,611	-	-	-	-	-	4,611
Fair value adjustment – available for sale financial assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,537)</u>	<u>-</u>	<u>-</u>	<u>(1,537)</u>
	-	4,611	-	-	(1,537)	-	1,091	4,165
Dividends paid 2006 (22 ¢)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,393)</u>	<u>(2,393)</u>
	<u>-</u>	<u>4,611</u>	<u>-</u>	<u>-</u>	<u>(1,537)</u>	<u>-</u>	<u>(1,302)</u>	<u>1,772</u>
<b>Balance at December 31, 2007</b>	<u>10,871</u>	<u>69,930</u>	<u>-</u>	<u>15,500</u>	<u>(8,881)</u>	<u>-</u>	<u>25,494</u>	<u>112,914</u>
Surplus attributable to shareholders	-	-	-	-	-	-	4,829	4,829
Transfer to statement of income - available for sale financial assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,881</u>	<u>-</u>	<u>-</u>	<u>8,881</u>
	-	-	-	-	8,881	-	4,829	13,710
Dividends paid 2007 (22 ¢)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,392)</u>	<u>(2,392)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,881</u>	<u>-</u>	<u>2,437</u>	<u>11,318</u>
<b>Balance at December 31, 2008</b>	<u>10,871</u>	<u>69,930</u>	<u>-</u>	<u>15,500</u>	<u>-</u>	<u>-</u>	<u>27,931</u>	<u>124,232</u>

The notes on pages 12 to 66 form part of these financial statements.

**THE MARITIME FINANCIAL GROUP**  
**(Maritime Life (Caribbean) Limited and its subsidiaries)**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

Company			Group	
2007	2008		2008	2007
\$'000	\$'000		\$'000	\$'000
<b>Cash Flows from Operating Activities</b>				
3,951	8,605	Surplus before taxation	16,410	14,690
		Adjustments for:		
6,171	5,690	Depreciation (net)	14,986	15,261
(8,276)	6,259	Loss/(gain) on sale/revaluation of assets	20,838	(1,919)
<u>22,762</u>	<u>34,352</u>	Increase in insurance contracts liabilities	<u>60,426</u>	<u>30,063</u>
24,608	54,906	Operating surplus before working capital changes	112,660	58,095
9,397	(23,671)	Change in receivables	(11,259)	19,233
-	-	Change in customers' deposits	17,449	11,163
-	-	Change in other funding instruments	101	138
<u>550</u>	<u>(2,931)</u>	Change in other payables	<u>(3,861)</u>	<u>3,704</u>
34,555	28,304	Cash generated from operations	115,090	92,333
(648)	(732)	Dividends paid to policyholders	(732)	(648)
<u>(2,058)</u>	<u>(3,005)</u>	Corporation taxes paid (net)	<u>(8,705)</u>	<u>(5,430)</u>
<u>31,849</u>	<u>24,567</u>	Net cash generated from operating activities	<u>105,653</u>	<u>86,255</u>
<b>Cash Flows from Investing Activities</b>				
7,320	72,404	Sale/redemption of financial assets	61,083	7,593
452	198	Sale of property, plant and equipment	2,070	987
(17,656)	(9,416)	Change in loans and receivables	12,410	(41,841)
(28,355)	(67,334)	Purchase of other financial assets	(83,357)	(38,355)
(685)	(1,087)	Additions to investment properties	(1,087)	(685)
<u>(4,914)</u>	<u>(1,732)</u>	Purchase of property, plant and equipment	<u>(22,908)</u>	<u>(11,951)</u>
<u>(43,838)</u>	<u>(6,967)</u>	Net cash used in investing activities	<u>(31,789)</u>	<u>(84,252)</u>
<b>Cash Flows from Financing Activities</b>				
<u>(2,393)</u>	<u>(2,392)</u>	Dividends paid to shareholders	<u>(2,392)</u>	<u>(2,393)</u>
<u>(2,393)</u>	<u>(2,392)</u>	Net cash used in financing activities	<u>(2,392)</u>	<u>(2,393)</u>
(14,382)	15,208	Net change in cash and cash equivalents	71,472	(390)
<u>195,515</u>	<u>181,133</u>	Cash and cash equivalents	<u>162,232</u>	<u>162,622</u>
		- at beginning of year		
<u>181,133</u>	<u>196,341</u>	- at end of year (Note 26)	<u>233,704</u>	<u>162,232</u>

The notes on pages 12 to 66 form part of these financial statements.

**THE MARITIME FINANCIAL GROUP**  
**(Maritime Life (Caribbean) Limited and its subsidiaries)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**1. Incorporation and Principal Activity**

Maritime Life (Caribbean) Limited is incorporated in the Republic of Trinidad and Tobago and was continued under the provisions of the Companies Act, 1995 on 23rd March, 1999. Its principal activity is the carrying on of all classes of long term insurance business in Trinidad and Tobago. The Company's registered office and principal place of business are located at 29 Tenth Avenue, Barataria.

A listing of the subsidiaries, their principal activities and place of incorporation is given in Note 38.

**2. Summary of Significant Accounting Policies**

**a) Basis of preparation**

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and are stated in thousands of Trinidad and Tobago dollars. They have been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss, available for sale financial assets, and land and buildings.

The accounting policies used are consistent with those of the previous years.

**b) New Accounting Standards and Interpretations**

i) The Group has applied International Financial Reporting Interpretations Committee (IFRIC) IFRIC 13 – Customer Loyalty Programmes that became effective during the current financial year. This Interpretation did not have any material effect on the financial statements.

ii) The Group has not applied the following interpretations that became effective during the current year, as they do not apply to the activities of the Group:

IFRIC 12      Service Concession Arrangements

IFRIC 14      IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC 16      Hedges of a Net Investment in a Foreign Operation

iii) The Group has not applied the following standards, revised standards and interpretations that have been issued but are not yet effective as they either do not apply to the activities of the Group or have no material impact on its financial statements:

IFRS 1      First-time Adoption of International Financial Reporting Standards – Amendment relating to cost of an investment on first time adoption (effective for accounting periods beginning on or after 1 January 2009).

**THE MARITIME FINANCIAL GROUP**  
**(Maritime Life (Caribbean) Limited and its subsidiaries)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**2. Summary of Significant Accounting Policies (continued)**

**b) New Accounting Standards and Interpretations (continued)**

iii)	IFRS 2	Share-based Payment – Amendment relating to vesting conditions and cancellations (effective for accounting periods beginning on or after 1 January 2009).
	IFRS 3	Business Combinations – Comprehensive revision on applying the acquisition method (effective for accounting periods beginning on or after 1 July 2009).
	IFRS 5	Non-current Assets Held for Sale and Discontinued Operations – Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 July 2009).
	IFRS 8	Operating Segments (effective for accounting periods beginning on or after 1 January 2009).
	IAS 1	Presentation of Financial Statements – Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
	IAS 16	Property, Plant and Equipment – Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
	IAS 19	Employee Benefits - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
	IAS 20	Government Grants and Disclosure of Government Assistance - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
	IAS 23	Borrowing Costs - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
	IAS 27	Consolidated and Separate Financial Statements - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
	IAS 28	Investment in Associates - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).

**THE MARITIME FINANCIAL GROUP**  
**(Maritime Life (Caribbean) Limited and its subsidiaries)**

**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. Summary of Significant Accounting Policies (continued)**

**b) New Accounting Standards and Interpretations (continued)**

iii)	IAS 29	Financial Reporting in Hyperinflationary Economies - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
	IAS 31	Interest in Joint Ventures - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 July 2009).
	IAS 32	Financial Instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation (effective for accounting periods beginning on or after 1 January 2009).
	IAS 36	Impairment of Assets - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
	IAS 38	Intangible Assets - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
	IAS 39	Financial Instruments: Recognition and Measurement - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
	IAS 40	Investment Property - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
	IAS 41	Agriculture - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
	IFRIC 15	Agreements for the Construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009).
	IFRIC 17	Distributions of Non-cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009).
	IFRIC 18	Transfer of Assets from Customers (effective for accounting periods beginning on or after 1 July 2009).

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. Summary of Significant Accounting Policies (continued)**

**c) Comparative figures**

Certain comparative figures were restated to facilitate changes in presentation. These changes had no effect on the previously reported surplus.

**d) Basis of consolidation**

**i) Group**

The consolidated financial statements include the accounts of Maritime Life (Caribbean) Limited and its subsidiaries. All significant intra-group balances, transactions, income and expenses have been eliminated on consolidation.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than 50% of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date control ceases.

The Group uses the purchase method of accounting for the acquisition of subsidiaries. The cost of the acquisition is measured as the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed and equity instruments issued plus costs directly attributable to the acquisition. The excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

There were no acquisitions or disposals of subsidiaries during the year.

Minority interest is that portion of the net surplus and net assets of a subsidiary that are not owned, directly or indirectly, by the Company.

**ii) Company**

Investments in subsidiaries are accounted for at cost.

**e) Cash and cash equivalents**

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash and bank balances, bank overdrafts and short term investments.

Short term investments are highly liquid investments and comprise deposits placed with licensed banks and financial institutions and investments in treasury bills.



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**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. Summary of Significant Accounting Policies (continued)**

**f) Inventories**

Inventories comprise goods held for resale in the ordinary course of business and are stated at the lower of cost and net realisable value. Cost is determined on the first in first out basis. Net realisable value is the estimated selling price in the ordinary course of business.

The carrying amount of inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs.

**g) Financial instruments**

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument.

**h) Financial assets**

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date on which the Group commits itself to purchase or sell an asset. A regular way purchase and sale of financial assets is a purchase or sale of an asset under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned.

When financial assets are recognised initially, they are measured at fair value of the consideration given plus transactions costs directly attributable to the acquisition of the asset.

Financial assets are derecognised when the contractual rights to receive the cash flows expire or where the risks and rewards of ownership of the assets have been transferred.

The Group classifies, at the time of initial recognition, financial assets into the following categories depending on the nature and purpose of the assets: financial assets at fair value through profit or loss, available for sale financial assets, held to maturity investments and loans and receivables. Management re-evaluates these classifications at each balance sheet date.

**i) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss comprise financial assets held for trading and those so designated.

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the near future or if they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short term profit taking. The Group does not currently have any financial assets classified as held for trading.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. Summary of Significant Accounting Policies (continued)**

**h) Financial assets (continued)**

**i) Financial assets at fair value through profit or loss (continued)**

Financial assets are classified as at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise (an accounting mismatch) or a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to the Group's key management personnel. Financial assets included in this classification support those long term insurance contracts that contain an investment element.

Financial assets are not reclassified into or out of the fair value through profit or loss category while they are held.

Investments in quoted securities are stated at fair values based on quoted market prices without deduction of transaction costs. Gains and losses arising from changes in fair values are recognised in investment income in the period in which they arise.

**ii) Available for sale financial assets**

Available for sale financial assets are non-derivative financial assets that are so designated or not classified in any of the other categories. They are intended to be held for an undefined period of time, but may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Investments in quoted securities are stated at fair values based on quoted market prices without deduction of transaction costs. Gains and losses arising from changes in fair values are recognised in investment revaluation reserve in shareholders' equity except for impairment losses and foreign exchange gains and losses. When the financial asset is derecognised the cumulative gain or loss previously recognised in equity is recognised in investment income.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less provision for impairment.

Interest income is calculated using the effective interest rate method and dividends are recognised in investment income when the shareholders' right to receive the dividend is established.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. Summary of Significant Accounting Policies (continued)**

**h) Financial assets (continued)**

**iii) Held to maturity investments**

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, purchased with the positive intention and ability to hold to maturity.

They are stated at amortised cost using the effective interest rate method less provision for impairment.

Interest income is recognised in investment income on an effective yield basis. Gains or losses are recognised in investment income when the financial asset is derecognised or impaired and through the amortisation process.

If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held to maturity, it is reclassified as available for sale and re-measured at fair value.

Whenever there are sales or reclassification of more than an insignificant amount of held to maturity investments, any remaining held to maturity investments are reclassified as available for sale.

**iv) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These comprise policy loans, automatic premium loans, mortgage loans and other loans.

Policy loans and automatic premium loans are stated at outstanding principal plus accrued interest and are secured by the cash surrender values of the respective policies.

Mortgage loans and other loans are stated at amortised principal using the effective interest rate method, less provision for impairment losses. Specific provisions are made for potential losses on non-performing loans on the basis of net realisable value. Periodic portfolio reviews are conducted during the course of each year to determine the adequacy of provisions.

Mortgage loans are secured by residential and commercial properties whereas other loans are secured by various forms of collateral, including charges over tangible assets, hire purchase agreements, certificates of deposit, assignment of funds and personal guarantees.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. Summary of Significant Accounting Policies (continued)**

**i) Impairment of financial assets**

The Group assesses at each balance sheet 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 if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that 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 a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- i) Significant financial difficulty of the issuer or obligor.
- ii) A breach of contract, such as default or delinquency in interest or principal payments.
- iii) It becoming probable that the borrower will enter in bankruptcy or other financial reorganisation.
- iv) The disappearance of an active market for that financial asset because of financial difficulties.
- v) Observable data indicating that there is a measurable decrease in the estimated cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with individual financial assets in the group, including adverse changes in the payment status of borrowers in the group or national or economic conditions that correlate with defaults on assets in the group.
- vi) For investments in equity instruments, information about significant changes with an adverse effect, that have taken place in the technological, market, economic or legal environment in which the issuer operates which indicates that the cost of the investment may not be recovered, as well as a significant and prolonged decline in fair value of an investment in an equity instrument below its cost.

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, 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.

Impairment losses are recorded in an allowance account and are measured and recognised as follows:

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. Summary of Significant Accounting Policies (continued)**

**i) Impairment of financial assets (continued)**

**i) Financial assets measured at amortised cost**

The difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate is recognised in the statement of income.

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 improvement in the debtor's credit rating), the previously recognised loss is reversed to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised at the date that the impairment is reversed. The amount of the reversal is recognised in the statement of income.

**ii) Financial assets measured at cost**

The difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the current market's rate of return for similar financial assets is recognised in the statement of income. These losses are not reversed.

**iii) Available for sale financial assets**

The cumulative loss recognised directly in equity, (representing the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the statement of income), is recognised in the statement of income even though the financial assets has not been derecognised. These losses are not reversed.

**j) Investment properties**

Investment properties comprise land and buildings held to earn rentals and/or for capital appreciation rather than occupied by the Group for use in the supply of goods and services or for administrative purposes. Land and buildings that comprise a portion held to earn rentals and/or for capital appreciation and another portion that is occupied by the Group for administrative purposes are classified as investment properties only if an insignificant portion is held for administrative purposes. Otherwise, it is classified under property, plant and equipment.

An investment property is recognised as an asset only if it is probable that the future economic benefits that are associated with the investment property will flow to the Group and its cost can be measured reliably.

Investment properties are measured initially at cost including transaction costs. Cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. Summary of Significant Accounting Policies (continued)**

**j) Investment properties (continued)**

After initial recognition investment properties are measured at fair values. Fair values are based on independent professional open market valuations that are conducted at least once every three years. The last valuations were done in 2006. Gains and losses arising from changes in fair values are included in the statement of income in the period in which they arise.

Transfers to or from investment properties are only made when there is a change in use.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss arising from the retirement or disposal is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the statement of income in the period of retirement or disposal.

**k) Property, plant and equipment**

- i) The cost of an item of property, plant and equipment is recognised as an asset only if it is probable that the future economic benefits associated with the item will flow to the Group and its cost can be measured reliably.

Cost includes the purchase price and any expenditure directly attributable to the acquisition of the item. Expenditures incurred for repairs and maintenance are recognised in the statement of income as incurred.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of the item is determined as the difference between the net disposal proceeds and the carrying amount of the item and is recognised in the statement of income when the item is derecognised.

- ii) Owner occupied properties comprise land and buildings used by the Group for the supply of goods and services or for administrative purposes and are stated at fair values less accumulated depreciation and accumulated impairment losses.

Fair values are based on independent professional open market valuations that are conducted at least once every three years. The last valuations were done in 2006 and 2007. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the property and the net amount is restated to the revalued amount.

Increases in carrying amounts arising from revaluations are credited to revaluation surplus in capital reserve. Decreases in carrying amounts arising from revaluations are debited to revaluation surplus in capital reserve to the extent that it reverses a previous increase arising from the same asset. All other decreases are recognised in the statement of income.

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**2. Summary of Significant Accounting Policies (continued)**

**k) Property, plant and equipment (continued)**

iii) Plant and equipment are stated at historical cost less accumulated depreciation.

iv) Property, plant and equipment are depreciated over their estimated useful lives using the straight line method at the following rates:

Buildings	2% per annum
Furniture/equipment	8.33-25% per annum
Motor vehicles	25% per annum
Equipment on lease	10-50% per annum

Land is not depreciated.

The depreciation method, useful lives and residual values of property, plant and equipment are reviewed annually. During the current year no changes were required.

**l) Financial liabilities**

When financial liabilities are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the liability. Financial liabilities are re-measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognised in the statement of income.

Financial liabilities comprise accounts payable, bank overdrafts, customer deposits and other funding instruments.

**m) Provisions**

Provisions are recognised when there is a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. Summary of Significant Accounting Policies (continued)**

**n) Insurance contracts**

- i) Insurance contracts are those contracts under which the Group accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if an uncertain future event (insured event) adversely affects the policyholder.

Insurance risk is risk other than financial risk transferred from the policyholder to the Group. Investment contracts transfer financial risk but not insurance risk. Financial risk is the risk of a possible future change in either a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Insurance risk is significant if and only if an insured event could cause the payment of significant additional benefits in any scenario, excluding scenarios that lack commercial substance.

Uncertainty under insurance contracts arises as to whether an insured event will occur, when it will occur or how much will be payable if it occurs.

Significant additional benefits are amounts that exceed those that would be payable if no insured event occurred.

- ii) Once a contract has been classified as an insurance contract it remains an insurance contract until all rights and obligations are extinguished or expire.

The liability under an insurance contract is removed from the balance sheet when and only when, it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires.

- iii) Reinsurance contracts are those contracts entered into with reinsurers under which the Group is compensated for losses under one or more insurance contract issued.

**o) Long term insurance contracts**

- i) Long term insurance contracts insure human life events (for example death, survival, permanent disability) over a long duration and include life assurance, annuity, and deposit administration contracts. These contracts are classified as those with discretionary participation features and those without discretionary participation features. For insurance contracts with discretionary participation features, the guaranteed element has not been recognized separately.

Discretionary participation features are contractual rights to receive, as a supplement to guaranteed benefits, additional benefits that are likely to be a significant portion of the total contractual benefits, whose amount or timing is contractually at the discretion of the issuer, and that are contractually based on the performance of a specified pool of contracts or a specified type of contract, realised or unrealised investment returns on a specified pool of assets by the issuer, or the surplus of the Group.



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**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. Summary of Significant Accounting Policies (continued)**

**o) Long term insurance contracts (continued)**

Guaranteed benefits are payments or other benefits to which a particular policyholder has an unconditional right that is not at the discretion of the Group.

- ii)** The liabilities arising from long term insurance contracts include provisions for future policy benefits and provisions for outstanding claims.
- iii)** Long term insurance contracts are valued using a modified net premium method for traditional insurances and fund value for insurance contracts with fund accumulations.

The valuation by the Group's Appointed Actuary at December 31, 2008 revealed a surplus before tax amounting to \$5,455,000 (2007: \$2,624,000), of which \$4,655,000 (2007: \$1,801,000) is allocated to shareholders' equity and \$800,000 (2007: \$823,000) is allocated to "participating" policyholders.

- iv)** Provisions for outstanding claims comprise the estimated cost of all claims and claims expenses incurred but not settled at the balance sheet date. Provisions are also made for claims and claims expenses incurred in 2008 but not reported until after the balance sheet date. Differences between the provisions for outstanding claims and claims expenses and subsequent settlements and revisions are included in the statement of income in later years.

**p) Short term insurance contracts**

- i)** Short term insurance contracts generally run for a period of twelve months and are subject to review and renewal at the end of that period. These contracts include property, motor, liability, marine, pecuniary loss and personal accident insurance contracts.
- ii)** The liabilities arising from short term insurance contracts include provisions for unearned premiums, unexpired risks and outstanding claims.

**iii) Provisions for unearned premiums**

Provisions for unearned premiums represent the proportions of the premiums written in the year which relate to periods of insurance subsequent to the balance sheet date and are computed on the daily pro-rata fractional basis - the "365ths" method, except for mortgage indemnity, contractors all risk, erection all risk and performance bond business (some of which carry a policy period in excess of twelve months). The unearned premiums on these policies are pro-rated over the periods of the guarantees/policies.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. Summary of Significant Accounting Policies (continued)**

**p) Short term insurance contracts (continued)**

**iv) Provisions for unexpired risks**

Provisions for unexpired risks represent amounts set aside at the year-end, in addition to unearned premiums, in respect of the subsequent risks to be borne by the Group under insurance contracts in force at the year-end and are computed as a percentage of unearned premiums.

**v) Provisions for outstanding claims**

Provisions for outstanding claims comprise the estimated cost of all claims and claims expenses incurred but not settled at the balance sheet date. Provisions are also made for claims and claims expenses incurred in 2008 but not reported until after the balance sheet date. Differences between the provisions for outstanding claims and claims expenses and subsequent settlements and revisions are included in the statement of income in later years.

**vi) Catastrophe reserves**

Amounts set aside for catastrophe reserves are included in shareholders' equity.

**q) Liability adequacy test**

The Group assesses at each balance sheet date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in the statement of income and the amount of the relevant insurance contract liabilities is increased. The minimum reserves calculated based on the liability adequacy test at December 31, 2008 were lower than the actual reserves held in the balance sheet.

**r) Impairment of reinsurance assets**

If a reinsurance asset is impaired the carrying amount is reduced accordingly and the impairment loss is recognised in the statement of income.

A reinsurance asset is impaired if, and only if, there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Group may not receive all amounts due to it under the terms of the contract and that event has a reliably measurable impact on the amount that the Group will receive from the reinsurer.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**2. Summary of Significant Accounting Policies (continued)**

**s) Revenue recognition**

- i) Premiums from insurance contracts are shown on a receivable basis.**

Premiums on life and annuity policies that became due within the last thirty days but not collected at the balance sheet date are shown as outstanding premiums. Premiums that are not collected within thirty days of the due date are advanced as automatic premium loans on the security of the cash surrender values of the respective policies, or the policies lapse or expire.

Premiums due on short term insurance policies are accounted for upon issuance or renewal of the respective policies and include amounts due from brokers and agents. These premiums are recognised as revenue on a pro-rata basis over the period of coverage of the respective policy.

Premiums received in advance of the due date are credited to premium suspense.

- ii) Investment income derived from long term insurance business is allocated to policyholders, whilst that derived from short term insurance and other operations is allocated to shareholders.**

- iii) Interest income is accounted for using the effective interest rate method.**

The effective interest rate method is a method of calculating the amortised cost of a financial instrument and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period to the carrying amount of the financial instrument.

Accrual of interest income ceases when a payment on a loan is contractually ninety days in arrears and will only be recognised on a cash basis when the loan status is determined to be current.

- iv) Dividends are accounted for when the shareholders' right to receive the dividends is established.**

- v) Commissions receivable are recognized upon the billing of the respective premiums.**

- vi) Rentals under operating leases are recognised on a straight line basis over the lease term.**

Leases which do not transfer substantially all the risks and rewards incidental to ownership are classified as operating leases. Assets leased under operating leases include land and buildings classified as investment properties and owner occupied properties, as well as motor vehicles and other equipment categorised as equipment on lease and included in property, plant and equipment. The lease terms range from three to five years.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**2. Summary of Significant Accounting Policies (continued)**

**s) Revenue recognition (continued)**

- vii)** Revenue from the sale of goods is recognised upon delivery and stated net of discounts and value added tax.
- viii)** Miscellaneous income comprises fees and other sundry income.

**t) Policyholders' benefits**

- i)** Death claims, disability claims and surrenders are recognised upon notification.
- ii)** Maturities and annuities are accounted for when due.
- iii)** Claims arising from short term insurance contracts are recorded as an expense when they are incurred and are stated net of recoveries from subrogations and salvages. Subrogations are accounted for when received, whereas salvages are accounted for when the damaged properties (usually motor vehicle wrecks) are sold.

**u) Reinsurance premiums and recoveries**

- i)** Reinsurance premiums on long term insurance contracts are expensed when due, which generally coincides with when the policy premium is due. Reinsurance claim recoveries are established at the time of the recording of the claim notification.
- ii)** Premiums ceded on short term insurance contracts are expensed on a pro-rata basis over the term on the respective policy coverage or of the respective reinsurance contract as appropriate. Reinsurance claim recoveries are established at the time of the recording of the claim liability.
- iii)** Profit sharing commissions due to the Group are only recognised as commission income when there is reasonable certainty of collectibility.

**v) Other direct costs**

- i)** Commissions payable are recognised on settlement of the respective premiums.
- ii)** Other costs include underwriting expenses and other direct expenses related to the retail operations.

**w) Expenses of management**

**i) Employee benefits**

Employee benefits are all forms of consideration given by the Group in exchange for service rendered by the employees and include both short term and post-employment benefits.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**2. Summary of Significant Accounting Policies (continued)**

**w) Expenses of management (continued)**

**i) Employee benefits (continued)**

Short term benefits comprise wages and salaries, bonuses, national insurance contributions, paid annual vacation and sick leave and other non-monetary benefits including group health and group life coverage. They are recognised as a liability, net of payments made and charged as expenses to the statement of income.

The expected cost of accumulating compensated absences for vacation and sick leave not yet taken is measured as the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

Post-employment benefits: All full time employees of the Group participate in a Defined Contribution Pension Plan. The Group's contribution to this plan is charged to the statement of income as incurred.

**ii) Other administrative expenses**

Other administrative expenses include office, technology, real estate, legal and professional fees, advertising and sales promotions, and miscellaneous expenses.

**x) Foreign currencies**

Foreign currency transactions during the year are translated into Trinidad and Tobago dollars at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities in foreign currencies at the balance sheet date are expressed in Trinidad and Tobago dollars at the exchange rates ruling at that date. Profits and losses thus arising are dealt with in the statement of income.

**y) Taxation**

i) Deferred taxation is provided using the liability method for all temporary differences between the carrying amounts and tax bases of assets and liabilities using current corporation tax rates. The principal temporary differences arise from depreciation of property, plant and equipment, unrealised gain/losses and tax losses carried forward. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

ii) Corporation tax is charged annually at 15% of investment income relating to long term insurance funds (other than approved pension plans) less investment expenses allowable in relation thereto. A further 10% corporation tax is chargeable on net surpluses arising from the annual actuarial valuations, when these are transferred to shareholders' equity.

iii) Corporation tax is charged annually at 25% in respect of surpluses from short term insurance and other operations.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. Summary of Significant Accounting Policies (continued)**

**z) Administered funds**

The assets and liabilities under administration by the Group have not been included in these financial statements. Gross assets under administration amounted to \$23,650,000 at December 31, 2008 (2007: \$22,250,000).

**3. Critical Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty**

- a)** The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions in the process of applying the Group's accounting policies.

These are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are reviewed on an ongoing basis. Actual results could differ from those estimates.

Changes in accounting estimates are recognised in the statement of income in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

**b) Critical judgements**

The critical judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

- i)** Whether investments are classified as financial assets at fair value through profit or loss, available for sale financial assets, held to maturity investments or loans and receivables.
- ii)** Whether land and buildings are classified as land development, investment properties or owner-occupied properties.
- iii)** Whether leases are classified as operating leases or finance leases.
- iv)** Which depreciation method for property, plant and equipment is used.
- v)** Which cost formula is used for the valuation of inventories.
- vi)** Whether policy contracts issued are classified as insurance contracts or investment contracts.
- vii)** The methods used for the valuation of liabilities arising under insurance contracts.
- viii)** When insurance premiums are recognised in the statement of income.

**c) Key assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date (requiring management's most difficult, subjective or complex judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

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**3. Critical Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty (continued)**

**c) Key assumptions (continued)**

**i) Fair values**

The fair values of financial assets are based on quoted market prices for specific or similar instruments.

The fair values of land and buildings are based on independent professional open market valuations.

**ii) Impairment of assets**

Management assesses at each balance sheet date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over the recoverable amount.

**iii) Deferred tax assets**

Management uses judgement in determining whether it is probable that future taxable profits will be available against which unused tax losses can be utilised before deferred tax assets arising therefrom are recognised.

**iv) Property, plant and equipment**

Management exercises judgement in determining whether future economic benefits can be derived from expenditures to be capitalised, and the useful lives and residual values of these assets.

**v) Long term insurance contracts liabilities**

Management determines, at the inception of the contract, assumptions regarding mortality, morbidity, lapses, surrenders, return on investments, and the level of expenses that have a material effect on the valuation of insurance liabilities. These assumptions are based on past experience as well as prevailing and expected future conditions. They are reviewed annually and are changed as current and future expected circumstances change.

**vi) Short term insurance contracts liabilities**

Management estimates the cost of claims incurred but not settled at the balance sheet date and claims incurred but not reported until after the balance sheet date, based on input from adjustors and past claims development experience. Estimates are also made for unexpired risks, calculated as a percentage of unearned premiums. The estimates are reviewed for adequacy on an ongoing basis and the provisions are adjusted accordingly.

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Company			Group	
2007	2008		2008	2007
\$'000	\$'000		\$'000	\$'000
<b>4. <u>Current Assets</u></b>				
818	4,445	Cash and bank balances	16,230	6,773
185,624	196,591	Short term investments	222,823	163,679
-	-	Central Bank reserve account	14,510	16,203
46,655	66,153	Accounts receivable	31,426	31,734
9,490	10,619	Outstanding premiums	10,619	9,490
10,029	12,541	Reinsurance assets	74,025	63,068
-	-	Inventories	4,629	3,974
-	-	Land development	5,762	5,762
-	-	Taxation recoverable	2,313	647
<u>252,616</u>	<u>290,349</u>		<u>382,337</u>	<u>301,330</u>
<b>a) Short term investments</b>				
<b>Concentration:</b>				
166,120	139,785	Deposits with licensed banks and financial institutions	117,353	115,990
19,504	56,806	Treasury bills	105,470	47,689
<u>185,624</u>	<u>196,591</u>		<u>222,823</u>	<u>163,679</u>
<b>b) Central Bank reserve account</b>				
The Financial Institutions Act 2008, requires that the subsidiary, Fidelity Finance and Leasing Company Limited, hold and maintain an account with the Central Bank of Trinidad and Tobago to be called a reserve account which at present, is to be equivalent to 9% of the total liabilities to depositors. This account is non-interest bearing.				
<b>c) Accounts receivable</b>				
<b>i) Balances outstanding</b>				
7,192	7,627	Accrued investment income	9,813	9,150
26,025	45,012	Amounts due from subsidiaries	-	-
-	-	Brokers and agents balances	3,436	6,215
<u>22,109</u>	<u>22,717</u>	Other receivables	31,167	28,840
55,326	75,356		44,416	44,205
8,671	9,203	Less: impairment provision	12,990	12,471
<u>46,655</u>	<u>66,153</u>		<u>31,426</u>	<u>31,734</u>



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Company			Group	
2007	2008		2008	2007
\$'000	\$'000		\$'000	\$'000
<b>4. <u>Current Assets (continued)</u></b>				
<b>c) Accounts receivable (continued)</b>				
<b>ii) Impairment provision:</b>				
12,837	8,671	Balance brought forward	12,471	11,021
<u>(4,166)</u>	<u>532</u>	Provision for the year	<u>519</u>	<u>1,450</u>
<u><b>8,671</b></u>	<u><b>9,203</b></u>		<u><b>12,990</b></u>	<u><b>12,471</b></u>
<b>iii) Brokers and agents balances:</b>				
<b>Aged analysis</b>				
-	-	Up to 30 days	1,101	1,861
-	-	31 to 45 days	669	930
<u>-</u>	<u>-</u>	Over 45 days	<u>1,666</u>	<u>3,424</u>
<u><b>-</b></u>	<u><b>-</b></u>		<u><b>3,436</b></u>	<u><b>6,215</b></u>
<b>d) Reinsurance assets</b>				
<u>1,758</u>	<u>1,357</u>	<b>i) Amounts due from reinsurers</b>	<u>2,586</u>	<u>2,486</u>
<b>Other amounts</b>				
7,276	9,684	Long term insurance contracts	9,684	7,276
995	1,500	Reinsurers share of:		
-	-	Outstanding claims	40,280	32,987
-	-	Claims incurred but not reported	7,756	6,398
<u>-</u>	<u>-</u>	Unearned premiums	12,762	12,949
		Unexpired risks	<u>957</u>	<u>972</u>
<u>8,271</u>	<u>11,184</u>		<u>71,439</u>	<u>60,582</u>
<u><b>10,029</b></u>	<u><b>12,541</b></u>		<u><b>74,025</b></u>	<u><b>63,068</b></u>

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Company			Group	
2007	2008		2008	2007
\$'000	\$'000		\$'000	\$'000
4. <u>Current Assets (continued)</u>				
d) Reinsurance assets (continued)				
ii) Reconciliation				
Amounts due from reinsurers				
5,449	1,758	Balance brought forward	2,486	7,608
223	1,012	Recoverable for the year	7,853	4,577
(1,066)	-	Adjustments	-	(1,066)
<u>(2,848)</u>	<u>(1,413)</u>	Payments received during the year	<u>(7,753)</u>	<u>(8,633)</u>
<u>1,758</u>	<u>1,357</u>		<u>2,586</u>	<u>2,486</u>
Other amounts				
6,913	8,271	Balance brought forward	60,582	78,045
1,614	2,408	Increases/(decreases) in:		
(256)	505	Long term insurance contracts	2,408	1,614
-	-	Outstanding claims	7,293	(4,428)
-	-	Claims incurred but not reported	1,357	(835)
-	-	Unearned premiums	(187)	(12,851)
<u>-</u>	<u>-</u>	Unexpired risks	<u>(14)</u>	<u>(963)</u>
<u>8,271</u>	<u>11,184</u>		<u>71,439</u>	<u>60,582</u>
<u>10,029</u>	<u>12,541</u>	Total	<u>74,025</u>	<u>63,068</u>
5. <u>Deferred Tax Assets</u>				
Deferred tax assets arising from:				
-	-	Tax losses carried forward	429	417
<u>-</u>	<u>-</u>	Depreciation of property, plant and equipment	<u>609</u>	<u>253</u>
<u>-</u>	<u>-</u>		<u>1,038</u>	<u>670</u>
a) Movements for the year				
-	-	Balance brought forward	670	839
<u>-</u>	<u>-</u>	Provision for the year	<u>368</u>	<u>(169)</u>
<u>-</u>	<u>-</u>		<u>1,038</u>	<u>670</u>

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Company			Group	
2007	2008		2008	2007
\$'000	\$'000		\$'000	\$'000
<b>6. <u>Investment in Subsidiaries</u></b>				
<u>55,585</u>	<u>54,535</u>	Shares at cost	<u>-</u>	<u>-</u>
<b>7. <u>Financial Assets</u></b>				
<b>Investment securities</b>				
176,729	172,829	Financial assets at fair value through profit or loss	177,197	181,880
27,028	603	Available for sale financial assets	13,149	39,651
<u>166,201</u>	<u>195,660</u>	Held to maturity investments	<u>283,468</u>	<u>238,904</u>
<u>369,958</u>	<u>369,092</u>		<u>473,814</u>	<u>460,435</u>
<b>Loans and receivables</b>				
52,160	56,222	Policy and automatic premium loans	56,222	52,160
<u>63,982</u>	<u>69,336</u>	Mortgages and other loans	<u>243,339</u>	<u>262,354</u>
<u>116,142</u>	<u>125,558</u>		<u>299,561</u>	<u>314,514</u>
<u>486,100</u>	<u>494,650</u>	<b>Total</b>	<u>773,375</u>	<u>774,949</u>
<b>a) Fair values</b>				
<u>176,729</u>	<u>172,829</u>	i) Financial assets at fair value through profit or loss	<u>177,197</u>	<u>181,880</u>
<u>27,028</u>	<u>603</u>	ii) Available for sale financial assets	<u>13,149</u>	<u>39,651</u>
<u>162,243</u>	<u>190,826</u>	iii) Held to maturity investments	<u>278,878</u>	<u>234,599</u>
<u>63,982</u>	<u>69,336</u>	iv) Mortgages and other loans	<u>243,339</u>	<u>262,354</u>
<b>b) Investment securities – Concentration</b>				
213,035	235,527	Government bonds	272,541	234,818
80,068	79,612	Corporate bonds	132,027	132,629
<u>76,855</u>	<u>53,953</u>	Equities	<u>69,246</u>	<u>92,988</u>
<u>369,958</u>	<u>369,092</u>		<u>473,814</u>	<u>460,435</u>

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Company		Group	
2007	2008	2008	2007
\$'000	\$'000	\$'000	\$'000
<b>7. <u>Financial Assets (continued)</u></b>			
<b>c) Investment securities – Bonds</b>			
<b>i) Contracted maturity</b>			
8,460	49,597	79,526	14,234
65,090	34,498	65,292	108,208
<u>219,553</u>	<u>231,044</u>	<u>259,750</u>	<u>245,005</u>
<u><b>293,103</b></u>	<u><b>315,139</b></u>	<u><b>404,568</b></u>	<u><b>367,447</b></u>
%	%	%	%
per annum	per annum	per annum	per annum
<b>ii) Range of interest rates</b>			
10.75 - 10.75	6.00 - 12.09	6.00 - 12.09	6.00 - 10.88
6.00 - 10.75	10.25 - 12.09	5.46 - 12.09	5.46 - 10.88
6.00 - 10.75	6.00 - 12.09	6.00 - 12.09	6.00 - 10.88
<b>d) Investment securities – Unquoted equities</b>			
<b>i) At cost</b>			
1,997	1,643	14,189	14,620
<u>1,270</u>	<u>1,040</u>	<u>1,040</u>	<u>1,270</u>
<u><b>727</b></u>	<u><b>603</b></u>	<u><b>13,149</b></u>	<u><b>13,350</b></u>
<b>ii) Impairment provision</b>			
1,320	1,270	1,270	1,320
<u>(50)</u>	<u>(230)</u>	<u>(230)</u>	<u>(50)</u>
<u><b>1,270</b></u>	<u><b>1,040</b></u>	<u><b>1,040</b></u>	<u><b>1,270</b></u>

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Company			Group	
2007	2008		2008	2007
\$'000	\$'000		\$'000	\$'000
<b>7. Financial Assets (continued)</b>				
<b>e) Policy and automatic premium loans</b>				
25,031	26,526	Policy loans	26,526	25,031
25,162	27,490	Automatic premium loans	27,490	25,162
<u>1,967</u>	<u>2,206</u>	Accrued interest	<u>2,206</u>	<u>1,967</u>
<u><b>52,160</b></u>	<u><b>56,222</b></u>		<u><b>56,222</b></u>	<u><b>52,160</b></u>
<b>f) Mortgages and other loans</b>				
64,117	69,471	i) Mortgage loans	69,684	64,376
<u>-</u>	<u>-</u>	Other loans	<u>178,961</u>	<u>200,743</u>
64,117	69,471		248,645	265,119
<u>135</u>	<u>135</u>	Less: impairment provision	<u>5,306</u>	<u>2,765</u>
<u><b>63,982</b></u>	<u><b>69,336</b></u>		<u><b>243,339</b></u>	<u><b>262,354</b></u>
<b>ii) Impairment provision:</b>				
135	135	Balance brought forward	2,765	2,037
-	-	Provision for the year	2,543	902
<u>-</u>	<u>-</u>	Write offs and adjustments	<u>(2)</u>	<u>(174)</u>
<u><b>135</b></u>	<u><b>135</b></u>		<u><b>5,306</b></u>	<u><b>2,765</b></u>
<b>iii) Concentration - sectoral analysis:</b>				
57,246	63,691	Consumer	175,433	180,960
<u>6,736</u>	<u>5,645</u>	Commercial and industrial	<u>67,906</u>	<u>81,394</u>
<u><b>63,982</b></u>	<u><b>69,336</b></u>		<u><b>243,339</b></u>	<u><b>262,354</b></u>
<u><b>3,820</b></u>	<u><b>1,661</b></u>	iv) Loans on which interest is not being accrued	<u><b>21,133</b></u>	<u><b>12,484</b></u>

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Company			Group		
2007	2008		2008	2007	
\$'000	\$'000		\$'000	\$'000	
8. <u>Investment Properties</u>					
72,200	72,885	At beginning of year	84,885	84,200	
<u>685</u>	<u>1,087</u>	Additions	<u>1,087</u>	<u>685</u>	
<u>72,885</u>	<u>73,972</u>		<u>85,972</u>	<u>84,885</u>	
<u>2,279</u>	<u>4,082</u>	a) Rental income	<u>4,082</u>	<u>2,279</u>	
<u>475</u>	<u>568</u>	b) Direct operating expenses	<u>653</u>	<u>868</u>	
9. <u>Property, Plant and Equipment</u>					
	Properties	Furniture/ Equipment	Motor Vehicles	Equipment on lease	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	Group				
Cost/Valuation					
At beginning of year	152,032	74,569	3,931	37,777	268,309
Additions	14,788	3,163	908	4,049	22,908
Disposals	<u>-</u>	<u>-</u>	<u>(428)</u>	<u>(6,535)</u>	<u>(6,963)</u>
	<u>166,820</u>	<u>77,732</u>	<u>4,411</u>	<u>35,291</u>	<u>284,254</u>
Accumulated depreciation					
At beginning of year	3,071	59,099	2,607	18,984	83,761
Charge for the year	2,787	4,581	749	7,558	15,675
Disposals	<u>-</u>	<u>-</u>	<u>(392)</u>	<u>(5,190)</u>	<u>(5,582)</u>
	<u>5,858</u>	<u>63,680</u>	<u>2,964</u>	<u>21,352</u>	<u>93,854</u>
Net book value					
At December 31, 2008	<u>160,962</u>	<u>14,052</u>	<u>1,447</u>	<u>13,939</u>	<u>190,400</u>
At December 31, 2007	<u>148,961</u>	<u>15,470</u>	<u>1,324</u>	<u>18,793</u>	<u>184,548</u>

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**9. Property, Plant and Equipment (continued)**

	Properties \$'000	Furniture/ Equipment \$'000	Motor Vehicles \$'000	Total \$'000
Company				
<b>Cost/Valuation</b>				
At beginning of year	146,100	55,188	2,834	204,122
Additions	-	1,014	718	1,732
Disposals	-	-	(428)	(428)
	<u>146,100</u>	<u>56,202</u>	<u>3,124</u>	<u>205,426</u>
<b>Accumulated depreciation</b>				
At beginning of year	2,286	43,818	1,759	47,863
Charge for the year	2,466	2,773	613	5,852
Disposals	-	-	(392)	(392)
	<u>4,752</u>	<u>46,591</u>	<u>1,980</u>	<u>53,323</u>
<b>Net book value</b>				
At December 31, 2008	<u><u>141,348</u></u>	<u><u>9,611</u></u>	<u><u>1,144</u></u>	<u><u>152,103</u></u>
At December 31, 2007	<u><u>143,814</u></u>	<u><u>11,370</u></u>	<u><u>1,075</u></u>	<u><u>156,259</u></u>

Company			Group	
2007 \$'000	2008 \$'000		2008 \$'000	2007 \$'000
		<b>a) Written down value of properties</b>		
<u>87,964</u>	<u>86,225</u>	Written down value of the properties had revaluations not been done	<u>86,874</u>	<u>88,698</u>
		<b>b) Revaluation surplus</b>		
59,607	64,218	Balance brought forward	64,218	59,607
<u>4,611</u>	-	Revaluation surplus for the year	-	<u>4,611</u>
<u><u>64,218</u></u>	<u><u>64,218</u></u>		<u><u>64,218</u></u>	<u><u>64,218</u></u>

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<b>Company</b>			<b>Group</b>	
<b>2007</b>	<b>2008</b>		<b>2008</b>	<b>2007</b>
<b>\$'000</b>	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>
<b>10. <u>Current Liabilities</u></b>				
5,309	4,695	Bank overdraft	5,349	8,220
-	-	Customers' deposits	37,362	19,913
-	-	Other funding instruments	1,747	1,646
13,265	14,546	Premium suspense	19,092	21,425
22,550	20,584	Accounts payable and accruals	54,080	53,064
2,273	1,432	Provision for employees benefits	2,575	3,066
2,003	598	Reinsurance liabilities	11,613	13,666
<u>548</u>	<u>2,095</u>	Taxation payable	<u>2,207</u>	<u>703</u>
<b><u>45,948</u></b>	<b><u>43,950</u></b>		<b><u>134,025</u></b>	<b><u>121,703</u></b>
<b>a) Bank overdraft</b>				
The Company's has an overdraft facility for \$6,000,000 at Scotiabank Trinidad and Tobago Limited which is unsecured and bears interest at 13.00% (2007: 11.75%) per annum.				
<b>b) Customers' deposits and other funding instruments concentration</b>				
-	-	Corporate and commercial	11,707	3,805
-	-	Other financial institutions	5,355	3,669
<u>-</u>	<u>-</u>	Personal	<u>22,047</u>	<u>14,085</u>
<b><u>-</u></b>	<b><u>-</u></b>		<b><u>39,109</u></b>	<b><u>21,559</u></b>
<b>c) Other funding instruments</b>				
Other funding instruments are secured by specific assets including Trinidad and Tobago Government Securities.				
<b>d) Reinsurance liabilities</b>				
1,424	2,003	Balance brought forward	13,666	15,514
6,036	6,070	Reinsurance premiums for the year	50,465	45,570
<u>(5,457)</u>	<u>(7,475)</u>	Payments made during the year	<u>(52,518)</u>	<u>(47,418)</u>
<b><u>2,003</u></b>	<b><u>598</u></b>	Balance carried forward	<b><u>11,613</u></b>	<b><u>13,666</u></b>



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Company			Group	
2007	2008		2008	2007
\$'000	\$'000		\$'000	\$'000
<b>11. <u>Deferred Tax Liabilities</u></b>				
Deferred tax liabilities arising from:				
		Depreciation of property, plant and equipment		
268	486		598	595
<u>926</u>	<u>(68)</u>	Other temporary differences	<u>(68)</u>	<u>926</u>
<u><b>1,194</b></u>	<u><b>418</b></u>		<u><b>530</b></u>	<u><b>1,521</b></u>
<b>a) Movements for the year</b>				
		Balance brought forward	1,521	1,279
723	1,194	Provision for the year	<u>(991)</u>	<u>242</u>
<u>471</u>	<u>(776)</u>			
<u><b>1,194</b></u>	<u><b>418</b></u>	Balance carried forward	<u><b>530</b></u>	<u><b>1,521</b></u>
<b>12. <u>Insurance Contracts Liabilities</u></b>				
403,929	425,506	With discretionary participation features	425,506	403,929
448,624	458,272	Without discretionary participation features	458,272	448,624
10,836	13,231	Provisions for outstanding claims	117,160	96,629
-	-	Provisions for claims incurred but not reported	20,786	17,159
-	-	Provisions for unearned premiums	60,509	56,484
<u>-</u>	<u>-</u>	Provisions for unexpired risks	<u>4,561</u>	<u>4,275</u>
<u><b>863,389</b></u>	<u><b>897,009</b></u>		<u><b>1,086,794</b></u>	<u><b>1,027,100</b></u>
<b>a) Reconciliation of changes for the year</b>				
841,275	863,389	Balance brought forward	1,027,100	997,685
19,409	28,817	Increase in reserves	33,329	32,097
1,347	1,890	Increase in claims	15,508	14,781
<u>1,358</u>	<u>2,913</u>	Increase in reinsurance assets	<u>10,857</u>	<u>(17,463)</u>
<u><b>863,389</b></u>	<u><b>897,009</b></u>	Balance carried forward	<u><b>1,086,794</b></u>	<u><b>1,027,100</b></u>

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2007	2008		2008	2007
\$'000	\$'000		\$'000	\$'000
<b>12. Insurance Contracts Liabilities (continued)</b>				
<b>b) Net insurance contracts liabilities</b>				
863,389	897,009	Insurance contracts liabilities	1,086,794	1,027,100
<u>8,271</u>	<u>11,184</u>	Less: reinsurance assets	<u>71,439</u>	<u>60,582</u>
<b><u>855,118</u></b>	<b><u>885,825</u></b>		<b><u>1,015,355</u></b>	<b><u>966,518</u></b>
<b>Represents</b>				
403,929	425,506	With discretionary participation features	425,506	403,929
441,348	448,588	Without discretionary participation features	448,588	441,348
9,841	11,731	Provisions for outstanding claims	76,880	63,642
-	-	Provisions for claims incurred but not reported	13,030	10,760
-	-	Provisions for unearned premiums	47,748	43,535
<u>-</u>	<u>-</u>	Provisions for unexpired risks	<u>3,603</u>	<u>3,304</u>
<b><u>855,118</u></b>	<b><u>885,825</u></b>		<b><u>1,015,355</u></b>	<b><u>966,518</u></b>
<b>c) Concentration by lines of business</b>				
383,123	413,154	Life assurance funds	413,154	383,123
410,467	405,957	Annuities	405,957	410,467
54,343	59,461	Deposit administration contracts	59,461	54,343
7,185	7,253	Policyholder dividends	7,253	7,185
-	-	Property	8,335	6,161
-	-	Motor	108,492	98,246
-	-	Liability	5,957	4,915
-	-	Marine	5,945	761
-	-	Pecuniary loss	801	1,314
<u>-</u>	<u>-</u>	Personal accident	<u>-</u>	<u>3</u>
<b><u>855,118</u></b>	<b><u>885,825</u></b>		<b><u>1,015,355</u></b>	<b><u>966,518</u></b>
<b>d) Provision for outstanding claims</b>				
9,745	10,836	Balance brought forward	96,629	88,515
51,287	46,959	Claims incurred for the year	123,569	117,871
(256)	505	Reinsurance assets	7,293	(4,428)
<u>(49,940)</u>	<u>(45,069)</u>	Payments made during the year	<u>(110,331)</u>	<u>(105,329)</u>
<b><u>10,836</u></b>	<b><u>13,231</u></b>	Balance carried forward	<b><u>117,160</u></b>	<b><u>96,629</u></b>

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2007	2008	2008	2007
\$'000	\$'000	\$'000	\$'000

**12. Insurance Contracts Liabilities (continued)**

**e) Aged analysis of outstanding claims**

Short term insurance

Up to 2003	40,889	30,858
2004	5,022	12,747
2005	8,786	8,859
2006	9,779	12,661
2007	12,281	20,668
2008	<u>27,172</u>	<u>-</u>
	<u><b>103,929</b></u>	<u><b>85,793</b></u>

**13. Stated Capital**

**Authorised**

An unlimited number of ordinary shares of no par value.

**Issued and fully paid**

10,871,387 shares of no par value.

**14. Capital Reserve**

Capital reserve comprises share premium and revaluation surpluses.

**15. Catastrophe Reserve**

The Corporation Taxes Act was amended in 1994 by Section 10D such that contributions to the catastrophe reserve fund up to a maximum of 20% of net premium income on property business is allowed as a deduction in computing chargeable income.

**16. General Reserve**

The general reserve represents appropriations of retained earnings for any possible unforeseen losses on financial assets for which alternative specific provision is not made.

**17. Investment Revaluation Reserve**

The investment revaluation reserve represents gains and losses arising from changes in fair value of available for sale financial assets.

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**18. Statutory Reserve**

- a) Section 171 of the Insurance Act, 1980 requires that at least 25% of the profit of the subsidiary, Maritime General Insurance Company Limited, for the current year shall be appropriated towards surplus until such surplus equals or exceeds the reserves in respect of its outstanding unexpired policies.
- b) The Financial Institutions Act, 2008 provides that no less than 10% of the net profit after deduction of taxes of the subsidiary, Fidelity Finance and Leasing Company Limited, shall be transferred to a reserve fund until the amount standing to the credit of the reserve fund is equal at least to its paid up capital.

<b>Company</b>			<b>Group</b>	
<b>2007</b>	<b>2008</b>		<b>2008</b>	<b>2007</b>
<b>\$'000</b>	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>
<b>19. <u>Minority Interests</u></b>				
-	-	Balance brought forward	7,454	6,780
-	-	Share of surplus after taxation	934	674
-	-		<u>8,388</u>	<u>7,454</u>
<b>20. <u>Investment Income</u></b>				
43,638	44,680	Interest income	67,286	65,859
2,699	3,506	Dividends	3,605	2,813
322	(661)	Foreign exchange gains	(918)	901
-	13,688	Realised gains	1,880	-
9,320	(18,864)	Unrealised gains/(losses)	(18,900)	3,846
<u>55,979</u>	<u>42,349</u>		<u>52,953</u>	<u>73,419</u>
<b>a) <u>Interest income</u></b>				
12,928	11,208	Cash and cash equivalents	8,183	9,302
12,437	11,927	At fair value through profit or loss	12,083	12,594
10,421	11,491	Held to maturity	16,811	15,155
9,191	9,543	Loans and receivables	29,698	29,174
(1,339)	511	Other	511	(366)
<u>43,638</u>	<u>44,680</u>		<u>67,286</u>	<u>65,859</u>

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Company			Group	
2007	2008		2008	2007
\$'000	\$'000		\$'000	\$'000
<b>20. <u>Investment Income (continued)</u></b>				
<b>b) Gains/(losses)</b>				
3,860	(18,864)	At fair value through profit or loss	(18,758)	3,791
50	1,738	Available for sale	1,738	50
5,405	11,950	Subsidiaries	-	-
<u>5</u>	<u>-</u>	Other assets	<u>-</u>	<u>5</u>
<b><u>9,320</u></b>	<b><u>(5,176)</u></b>		<b><u>(17,020)</u></b>	<b><u>3,846</u></b>
<b>21. <u>Other Income</u></b>				
3,432	8,210	Commissions	9,900	7,402
6,163	8,068	Rental income from operating leases	18,850	16,675
-	-	Revenue from sale of goods	52,386	45,572
-	-	Fees from trustee services	81	18
<u>162</u>	<u>818</u>	Miscellaneous income	<u>1,634</u>	<u>1,392</u>
<b><u>9,757</u></b>	<b><u>17,096</u></b>		<b><u>82,851</u></b>	<b><u>71,059</u></b>
<b>22. <u>Policyholders' Benefits</u></b>				
63,697	63,483	Claims and surrenders	140,093	130,281
823	800	Dividends to participating policyholders	800	823
<u>19,234</u>	<u>28,749</u>	Provision for future policy benefits	<u>32,735</u>	<u>30,897</u>
<b><u>83,754</u></b>	<b><u>93,032</u></b>		<b><u>173,628</u></b>	<b><u>162,001</u></b>
<b>23. <u>Other Direct Costs</u></b>				
18,214	20,597	Commissions	43,056	39,333
1,439	1,646	Policy issue expenses	1,646	1,439
-	-	Depreciation on leased assets (net)	7,033	7,356
-	-	Cost of sales	42,640	37,848
<u>-</u>	<u>-</u>	Other costs	<u>3,455</u>	<u>3,310</u>
<b><u>19,653</u></b>	<b><u>22,243</u></b>		<b><u>97,830</u></b>	<b><u>89,286</u></b>
<u>-</u>	<u>-</u>	Direct labour included in other costs	<u>1,075</u>	<u>1,142</u>
<u>-</u>	<u>-</u>	Pension costs included in other direct costs	<u>1,190</u>	<u>941</u>

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Company			Group	
2007	2008		2008	2007
\$'000	\$'000		\$'000	\$'000
<b>24. <u>Expenses of Management</u></b>				
24,193	17,985	Employee benefits	29,205	33,255
6,171	5,690	Depreciation (net)	7,953	7,905
617	271	Operating leases rentals	343	689
<u>17,457</u>	<u>20,445</u>	Other administrative expenses	<u>41,226</u>	<u>36,724</u>
<u><b>48,438</b></u>	<u><b>44,391</b></u>		<u><b>78,727</b></u>	<u><b>78,573</b></u>
<u><b>310</b></u>	<u><b>521</b></u>	Pension costs included in employee benefits	<u><b>829</b></u>	<u><b>550</b></u>
<b>25. <u>Taxation</u></b>				
<b>a) Tax charge for the year</b>				
		Current year		
2,150	3,950	Insurance revenue statement	3,950	2,150
<u>239</u>	<u>602</u>	Shareholders	<u>4,593</u>	<u>4,159</u>
2,389	4,552		8,543	6,309
<u>471</u>	<u>(776)</u>	Deferred taxation	<u>(1,359)</u>	<u>411</u>
<u><b>2,860</b></u>	<u><b>3,776</b></u>		<u><b>7,184</b></u>	<u><b>6,720</b></u>
<b>b) Reconciliation</b>				
Income taxes in the statements of income vary from amounts that would be computed by applying the statutory tax rates for the following reasons:				
<u><b>3,951</b></u>	<u><b>8,605</b></u>	Surplus before taxation	<u><b>16,410</b></u>	<u><b>14,690</b></u>
988	2,151	Tax at applicable statutory rates	4,103	3,673
(215)	(395)	Effect of different tax rates of life insurance companies	(395)	(215)
1,069	2,198	Items not subject to tax	4,605	1,044
941	(323)	Temporary differences	(286)	1,004
-	-	Tax losses	(991)	(355)
<u>77</u>	<u>145</u>	Other	<u>148</u>	<u>1,569</u>
<u><b>2,860</b></u>	<u><b>3,776</b></u>		<u><b>7,184</b></u>	<u><b>6,720</b></u>

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Company			Group	
2007	2008		2008	2007
\$'000	\$'000		\$'000	\$'000
<b>25. <u>Taxation (continued)</u></b>				
c) Tax losses				
At December 31, 2008 there were unrelieved tax losses in subsidiaries amounting to approximately \$17,700,000 (2007: \$21,789,000) available for set off against future chargeable profits of those companies.				
<b>26. <u>Cash and Cash Equivalents</u></b>				
818	4,445	Cash and bank balances	16,230	6,773
(5,309)	(4,695)	Bank overdraft	(5,349)	(8,220)
<u>185,624</u>	<u>196,591</u>	Short term instruments	<u>222,823</u>	<u>163,679</u>
<u><b>181,133</b></u>	<u><b>196,341</b></u>		<u><b>233,704</b></u>	<u><b>162,232</b></u>
<b>27. <u>Capital Commitments</u></b>				
3,090	1,943	Loans	1,943	4,389
<u>-</u>	<u>-</u>	Property, plant and equipment	<u>1,470</u>	<u>17,000</u>
<u><b>3,090</b></u>	<u><b>1,943</b></u>		<u><b>3,413</b></u>	<u><b>21,389</b></u>
<b>28. <u>Operating Leases</u></b>				
Future rental income due on non-cancellable operating leases				
5,425	7,173	Up to one year	17,871	16,373
<u>10,850</u>	<u>9,385</u>	Two to three years	<u>10,791</u>	<u>21,362</u>
<u><b>16,275</b></u>	<u><b>16,558</b></u>		<u><b>28,662</b></u>	<u><b>37,735</b></u>

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Company			Group	
2007	2008		2008	2007
\$'000	\$'000		\$'000	\$'000
<b>29. <u>Assets Pledged – Statutory Deposit and Statutory Fund</u></b>				
Fair value of assets deposited with and/or pledged to the order of the Inspector of Financial Institutions under the provisions of the Insurance Act, 1980				
178,069	196,567	Current assets	257,317	238,804
37,879	41,854	Investment in subsidiaries	41,854	37,879
430,586	434,571	Financial assets	489,228	468,956
72,200	72,200	Investment properties	72,200	72,200
<u>130,500</u>	<u>130,500</u>	Owner occupied properties	<u>130,500</u>	<u>130,500</u>
<u><b>849,234</b></u>	<u><b>875,692</b></u>		<u><b>991,099</b></u>	<u><b>948,339</b></u>

**30. Related Party Transactions**

Parties are considered to be related if one has the ability to control or exercise significant influence over the other in making financial and operational decisions.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group.

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and conditions at market rates.



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**30. Related Party Transactions (continued)**

Balances and transactions with related parties and key management personnel during the year were as follows:

Company			Group	
2007	2008		2008	2007
\$'000	\$'000		\$'000	\$'000
<b>a) Assets</b>				
95,331	51,098	Short term investments	-	-
410	589	Accrued investment income	-	-
26,025	45,012	Amount due from subsidiaries	-	-
(1,872)	(1,872)	Provisions for doubtful debts	-	-
<u>1,999</u>	<u>2,559</u>	Loans to key management personnel	<u>4,171</u>	<u>4,991</u>
<b>b) Liabilities</b>				
<u>-</u>	<u>-</u>	Key management personnel	<u>312</u>	<u>320</u>
<b>c) Income</b>				
16,417	30,814	Subsidiaries	-	-
5,405	-	Provision for doubtful debts	-	-
<u>154</u>	<u>157</u>	Key management personnel	<u>388</u>	<u>413</u>
<b>d) Expenses</b>				
1,234	1,288	Subsidiaries	-	-
<u>-</u>	<u>-</u>	Key management personnel	<u>27</u>	<u>25</u>
<b>e) Key management compensation</b>				
5,206	4,182	Short term benefits	5,694	6,559
233	179	Post employment benefits	232	273
<u>7,219</u>	<u>3,166</u>	Termination benefits	<u>3,166</u>	<u>7,219</u>
<u>12,658</u>	<u>7,527</u>		<u>9,092</u>	<u>14,051</u>

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**31. Insurance Contracts – Assumptions, Changes in Assumptions and Sensitivity**

**a) Long term insurance contracts**

- i) The actuarial liabilities for long term insurance contracts are determined in accordance with the provisions of the Insurance Act, 1980 and following generally accepted actuarial practice in the Republic of Trinidad and Tobago. The Insurance Act requires that the actuary place a “proper” value on the liabilities. Adjustments are made if projected future cash flows using best estimate assumptions indicate that net premium reserves are inadequate. During the current year no such adjustments were required and no changes were made to net premium assumptions.

**ii) Sensitivity**

Typically, net premium assumptions may not be changed for the life of a policy. Current best estimate assumptions were used for the liability adequacy tests. The sensitivity of the liability adequacy test carried out was as follows:

Scenario	Change in Variable	% Change in Minimum reserve based on Liability Adequacy test
Increase in interest and expense inflation	+1%	-5.1%
Decrease in interest and expense inflation	-1%	+6.9%
Increase in mortality (life insurance)	+10%	+1.0%
Decrease in mortality (annuities)		
Decrease in mortality (life insurance)	-10%	-1.0%
Increase in mortality (annuities)		
Increase in lapses	+10%	-0.8%
Decrease in lapses	-10%	+0.9%
Increase in expenses	+20%	+6.5%
Decrease in expenses	-20%	-6.4%
Increase in critical illness incidence	+10%	+1.2%
Decrease in critical illness incidence	-10%	-1.1%

**b) Short term insurance contracts**

- i) The most significant liability arising from short term insurance contracts is the provisions for outstanding claims. These provisions are determined using input from loss adjustors and past experience. To this is added provisions made for claims and claims expenses incurred but not reported until after the balance sheet date. These provisions cannot be determined with certainty because of the substantial delay between the occurrences, reporting and final settlement of the claims. They are reviewed and amended on an ongoing basis as new information becomes available, claims are settled and new claims reported.

Experience and industry information is used to assess the impact of external factors such as legislative changes, judicial decisions and technological changes. The claims reserves are sensitive to these assumptions.

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**31. Insurance Contracts – Assumptions, Changes in Assumptions and Sensitivity (continued)**

**b) Short term insurance contracts (continued)**

**ii) Claims development – short term insurance**

<b>Underwriting year</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Estimate of cumulative claims</b>						
At end of year	51,547	63,155	57,337	59,479	68,461	299,979
One year later	30,923	34,510	52,990	62,278		
Two years later	36,955	55,502	52,767			
Three years later	55,811	57,047				
Four years later	52,130					
<b>Estimate of cumulative claims</b>	<b>52,130</b>	<b>57,047</b>	<b>52,767</b>	<b>62,278</b>	<b>68,461</b>	<b>292,683</b>
<b>Cumulative payments</b>	<b>(47,108)</b>	<b>(48,261)</b>	<b>(42,988)</b>	<b>(49,997)</b>	<b>(41,289)</b>	<b>(229,643)</b>
<b>Claims outstanding</b>	<b><u>5,022</u></b>	<b><u>8,786</u></b>	<b><u>9,779</u></b>	<b><u>12,281</u></b>	<b><u>27,172</u></b>	<b>63,040</b>
<b>Liability in respect of prior years</b>						<b><u>40,889</u></b>
<b>Total Liability</b>						<b><u>103,929</u></b>

**32. Insurance Risk**

The Group is involved in underwriting, pricing, and accepting various kinds of risks in exchange for premiums. The insurance contract gives rise to the traditional insurance risk, which is the uncertainty that an insured event will occur resulting in financial consequences covered by the insurance contract, in addition to regulatory, legal, and pricing risk. Regulatory risk is associated with the potential of laws, directives and guidelines affecting the insurance industry to change and impact the insurance operations. Legal risk arises out of the costs associated with a possible dispute over policy terms and conditions, subrogation, and any other legal matter arising from the insurance contract. Pricing risk is the possibility that the premiums paid for the transfer of various risks are not sufficient.

The objective of risk management of insurance contracts is to properly identify, assess, control and evaluate and price all risks so as to increase stakeholder value.

As part of the Group's enterprise risk management strategy, risks are managed through the underwriting processes, claims management, reinsurance, diversification among various products, asset liability management, and actuarial consultation.

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**32. Insurance Risk (continued)**

**a) Underwriting**

The principal area of risk management begins in the underwriting process. Underwriting is the entire process that entails selecting policyholders by recognizing and evaluating hazards, establishing prices and determining policy terms and conditions. These processes are continually reviewed as it is at this stage that the Group determines if a risk will be accepted, rejected, or modified.

The Group has strict underwriting guidelines that have been developed with the assistance of actuarial support. These guidelines are reviewed and audited to ensure compliance.

**b) Long term insurance contracts**

Policy benefits under long term insurance contracts become payable when an insurable event such as death or critical illness occurs, at a specified time such as at the retirement date specified by an annuity contract and on the exercise of policy options such as surrender or request for a policy loan by a policyowner.

**i) Underwriting**

Underwriting risk inherent in long term insurance contracts is the risk that the company's rates will prove inadequate because experience (mortality, morbidity, lapse, expense, average size cases etc,) worsens vis a vis pricing parameters.

**ii) Longevity risk on annuity business**

The Group is exposed to a risk exposure to improvement in mortality on its annuity business. This risk is managed by using a conservative mortality assumption in pricing including mortality improvement projections.

**iii) Mortality and morbidity risk**

Mortality and morbidity risks including critical illness incidence are managed through pricing and underwriting strategies and reinsurance arrangements. Mortality improvement continues to be experienced, however the Group is exposed to the risk of a sudden and severe spike in mortality rates due to either a global or region specific pandemic. These risks are mitigated through catastrophe reinsurance arrangements.

**iv) Lapse risk**

Lapse risk is managed through product design and conservation strategies.

**v) Experience studies**

Experience studies are carried out on a regular basis to monitor experience vis a vis pricing assumptions and to determine experience assumptions for cash flow and profitability projections.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**32. Insurance Risk (continued)**

**b) Long term insurance contracts (continued)**

**vi) Reinsurance**

Reinsurance is used to reduce any single exposure of an insured. Limits and retentions are set according to the risk tolerance of stakeholders. The Group in certain cases also relies on the reinsurers' expertise in analyzing risks, product development and training.

**vii) Pricing risk**

The Group's insurance contracts are subject to pricing risk, which includes risks associated with mortality, expenses, and investments. The Group manages its pricing risk through actuarial support in the review of existing products and new product development. The Appointed Actuary assists in managing the development and deployment of an appropriate and efficient product development process that is tailored to the organizational structure and available resources. The Appointed Actuary approves all product pricing that requires special quotations and conducts experience studies on mortality and morbidity, lapses and expenses.

**c) Short term insurance contracts**

Insurance risks are accepted from insureds in consideration for premiums calculated on the basis of the client, company and the industry experience with particular types of risks. The Group carries significant exposure on the various lines of business written, with the most significant being the motor and property lines. Material losses arise from low frequency, high severity events such as catastrophes, major fires and motor liability claims. The loss potential for these events is limited by ceding certain portions of these risks to reinsurers.

**i) Underwriting**

The Group has underwriting guidelines for various product lines that are followed by staff underwriters and agents that have been authorized to bind coverage. These guidelines are reviewed annually.

**ii) Reinsurance**

The Group relies on a significant amount of reinsurance. Reinsurance is used as a risk transfer mechanism, to smooth the Group's loss experience and to provide for large line capacity, catastrophe protection and underwriting guidance.

Because some risk exposures can be very large in nature, the Group utilizes reinsurance to accept the liability for loss exposures that the Group is unwilling or unable to retain. Reinsurance allows the Group to increase its market share while limiting the financial consequences of potential losses. Further, the Group insures various property and major exposures that are subject to earthquakes and windstorms. The Group purchases excess of loss insurance to mitigate the losses of these catastrophic events. The Group also utilizes the reinsurers for underwriting assistance, claims management and overall guidance.

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**32. Insurance Risk (continued)**

**c) Short term insurance contracts (continued)**

**ii) Reinsurance (continued)**

Reinsurers are selected based on their track record and capability to meet their contractual obligations. In addition, the ratings assigned to reinsurers by the international rating agencies such as A.M. Best and Standard and Poors are used in determining whether or not reinsurers are acceptable. These ratings are monitored on an ongoing basis.

**d) Concentration of insurance risk**

i) The Group is exposed to significant insurance risk on the various lines of business written.

ii) The total sums assured/insured analysed by major classes of business is as follows:

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Gross</b>		
Long term insurance	5,947,789	5,180,495
Short term insurance	<u>6,691,187</u>	<u>7,841,197</u>
	<b><u>12,638,976</u></b>	<b><u>13,021,692</u></b>
<b>Net</b>		
Long term insurance	4,879,630	4,196,599
Short term insurance	<u>3,430,643</u>	<u>3,138,385</u>
	<b><u>8,310,273</u></b>	<b><u>7,334,984</u></b>

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**33. Financial Risk**

**a) Enterprise risk management**

The Group's overall strategy is to move away from traditional risk management to enterprise risk management (ERM), whereby each company within the Group assesses, controls, exploits, finances and monitors risks from all sources affecting it for the purpose of increasing stakeholder value, and also within the context of the Group as a whole. This holistic approach allows the Group to mitigate risk and create value. In essence, the Group can increase stakeholder value while maintaining an acceptable level of risk to stakeholders. As a part of the ERM strategy the Group identifies and evaluates all risks in the context of one another as opposed to distinct risks.

The Group is exposed to financial risk including credit risk, liquidity risk, currency risk, interest rate risk and price risk. In particular, the key financial risk is that proceeds from its financial and reinsurance assets are not sufficient to fund obligations arising from insurance contracts and financial liabilities.

**b) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Group is exposed to credit risk mainly on its short term investments, accounts receivable, reinsurance assets and investments in bonds, mortgages and other loans.

**i) Short term investments**

The credit risk on short term investments is limited because the funds are invested in deposits with licensed banks and financial institutions, and in treasury bills.

**ii) Accounts receivable**

Accounts receivable are stated at amounts outstanding less impairment provision. Adequate provisions have been made for any uncollectible amounts.

**iii) Reinsurance assets**

The Company reduces its credit risk associated with reinsurance assets by entering into treaty agreements only with reinsurers who have acceptable credit ratings.

**iv) Bonds**

The Group invests in bonds issued only by governments, financial institutions and corporations with acceptable credit ratings. The Group actively reviews all bond-issuing entities in which investments are being considered. The Group also limits the size of any given bond issue compared to size of its investment portfolio.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**33. Financial Risk (continued)**

**b) Credit risk (continued)**

**v) Mortgage loans**

The value at risk associated with mortgage loans is very insignificant as they are secured by property, which has been experiencing a significant increase in value over the past three years and because of the continued growth of the local economy.

**vi) Other loans**

The Group relies heavily on a written Credit Advances Policy Manual, which sets out in detail the current policies governing the lending function and provides a comprehensive framework for prudent risk management of the credit function. Adherence to these guidelines is expected to communicate the Group's lending philosophy, provide policy guidelines to team members involved in lending, establish minimum standards for credit analysis, documentation, decision making and post-disbursement administration, as well as create the foundation for a sound credit portfolio.

All team members involved with the lending activity are required to be familiar with the contents of the Credit Advance Policy Manual and are required to adhere to the policies therein; serious breaches results in disciplinary measures being taken. It is the responsibility of the General Manager to ensure that policies are adhered to.

The Group's loan portfolio is adequately secured by collateral and where necessary, provisions are made for estimated losses when, in the opinion of the directors, the related loans are impaired.

**vii) Concentration**

The Group has set an upper limit of total assets that can be invested with any one company or group of related companies so as to avoid any significant concentration of credit risk.

**viii) Global economic developments and government policies**

The Group actively monitors global economic developments and government policies that may affect the growth rate of the local economy.



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**NOTES TO THE FINANCIAL STATEMENTS**  
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**33. Financial Risk (continued)**

**b) Credit risk (continued)**

**ix) Maximum exposure to credit risk**

The Group's maximum exposure to credit risk without taking account of any collateral held or other credit enhancements is as follows:

<b>Company</b>			<b>Group</b>	
<b>2007</b>	<b>2008</b>		<b>2008</b>	<b>2007</b>
<b>\$'000</b>	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>
<u><b>608 883</b></u>	<u><b>670,379</b></u>	Maximum exposure to credit risk	<u><b>986,800</b></u>	<u><b>897,772</b></u>

**c) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group is exposed to daily calls on its available cash resources to settle trade, financial and insurance liabilities.

**i) Risk environment**

The Group operates in an environment in which most investments are subject to liquidity risk. There is no active bond market and the Trinidad and Tobago Stock Exchange lists less than forty public companies. There are also only a few local licensed banking and financial institutions to deposit funds. Liquidity risk is also increased because of restrictions imposed by the provisions of the Insurance Act, 1980 that govern the investments of statutory deposits and statutory funds.

**ii) Risk management**

The Group operates a central treasury function. To manage and reduce liquidity risk the Group's Asset Liability Committee actively meets to match cash inflows with liability requirements. The Group maintains a minimum percentage of its assets in short term investments and has un-drawn credit lines available to meet its short term obligations as they fall due. In addition, the Group's investments in marketable bonds and equities can be used for liquidity support if the need arises.

**iii) Liquidity gap**

The Group's exposure to liquidity risk is summarised in the table below which analyses assets and liabilities by relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date, except for insurance contracts liabilities which are analysed by estimated timings:

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**33. Financial Risk (continued)**

**c) Liquidity risk (continued)**

**iii) Liquidity gap (continued)**

	Up to one year \$'000	Two to five years \$'000	Group 2008 Over five years \$'000	Undated \$'000	Total \$'000
<b>Assets</b>					
Liquid assets	239,053	-	-	-	239,053
Financial assets	158,877	168,078	320,952	125,468	773,375
Other assets	<u>137,522</u>	<u>-</u>	<u>-</u>	<u>283,172</u>	<u>420,694</u>
	<u>535,452</u>	<u>168,078</u>	<u>320,952</u>	<u>408,640</u>	<u>1,433,122</u>
<b>Liabilities</b>					
Bank overdraft	5,349	-	-	-	5,349
Insurance contracts	192,470	14,807	753,217	126,300	1,086,794
Other liabilities	<u>116,432</u>	<u>12,244</u>	<u>-</u>	<u>530</u>	<u>129,206</u>
	<u>314,251</u>	<u>27,051</u>	<u>753,217</u>	<u>126,830</u>	<u>1,221,349</u>
<b>Net gap</b>	<u>221,201</u>	<u>141,027</u>	<u>(432,265)</u>	<u>281,810</u>	<u>211,773</u>
<b>Cumulative gap</b>	<u>221,201</u>	<u>362,228</u>	<u>(70,037)</u>	<u>211,773</u>	
			Group 2007		
	Up to one year \$'000	Two to five years \$'000	Over five years \$'000	Undated \$'000	Total \$'000
<b>Assets</b>					
Liquid assets	170,452	-	-	-	170,452
Financial assets	90,393	236,995	302,413	145,148	774,949
Other assets	<u>125,116</u>	<u>-</u>	<u>-</u>	<u>275,865</u>	<u>400,981</u>
	<u>385,961</u>	<u>236,995</u>	<u>302,413</u>	<u>421,013</u>	<u>1,346,382</u>
<b>Liabilities</b>					
Bank overdraft	8,220	-	-	-	8,220
Insurance contracts	168,414	28,519	692,948	137,219	1,027,100
Other liabilities	<u>109,840</u>	<u>3,643</u>	<u>-</u>	<u>1,521</u>	<u>115,004</u>
	<u>286,474</u>	<u>32,162</u>	<u>692,948</u>	<u>138,740</u>	<u>1,150,324</u>
<b>Net gap</b>	<u>99,487</u>	<u>204,833</u>	<u>(390,535)</u>	<u>282,273</u>	<u>196,058</u>
<b>Cumulative gap</b>	<u>99,487</u>	<u>304,320</u>	<u>(86,215)</u>	<u>196,058</u>	

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**33. Financial Risk (continued)**

**c) Liquidity risk (continued)**

**iii) Liquidity gap (continued)**

	Company 2008				
	Up to one year \$'000	Two to five years \$'000	Over five years \$'000	Undated \$'000	Total \$'000
<b>Assets</b>					
Liquid assets	201,036	-	-	-	201,036
Financial assets	53,446	49,908	281,121	110,175	494,650
Other assets	<u>89,313</u>	<u>-</u>	<u>-</u>	<u>280,610</u>	<u>369,923</u>
	<u>343,795</u>	<u>49,908</u>	<u>281,121</u>	<u>390,785</u>	<u>1,065,609</u>
<b>Liabilities</b>					
Bank overdraft	4,695	-	-	-	4,695
Insurance contracts	2,893	14,599	753,217	126,300	897,009
Other liabilities	<u>39,255</u>	<u>-</u>	<u>-</u>	<u>418</u>	<u>39,673</u>
	<u>46,843</u>	<u>14,599</u>	<u>753,217</u>	<u>126,718</u>	<u>941,377</u>
<b>Net gap</b>	<u>296,952</u>	<u>35,309</u>	<u>(472,096)</u>	<u>264,067</u>	<u>124,232</u>
<b>Cumulative gap</b>	<u>296,952</u>	<u>332,261</u>	<u>(139,835)</u>	<u>124,232</u>	
	Company 2007				
	Up to one year \$'000	Two to five years \$'000	Over five years \$'000	Undated \$'000	Total \$'000
<b>Assets</b>					
Liquid assets	186,442	-	-	-	186,442
Financial assets	11,820	79,574	265,691	129,015	486,100
Other assets	<u>66,174</u>	<u>-</u>	<u>-</u>	<u>284,729</u>	<u>350,903</u>
	<u>264,436</u>	<u>79,574</u>	<u>265,691</u>	<u>413,744</u>	<u>1,023,445</u>
<b>Liabilities</b>					
Bank overdraft	5,309	-	-	-	5,309
Insurance contracts	4,920	28,302	692,948	137,219	863,389
Other liabilities	<u>40,639</u>	<u>-</u>	<u>-</u>	<u>1,194</u>	<u>41,833</u>
	<u>50,868</u>	<u>28,302</u>	<u>692,948</u>	<u>138,413</u>	<u>910,531</u>
<b>Net gap</b>	<u>213,568</u>	<u>51,272</u>	<u>(427,257)</u>	<u>275,331</u>	<u>112,914</u>
<b>Cumulative gap</b>	<u>213,568</u>	<u>264,840</u>	<u>(162,417)</u>	<u>112,914</u>	

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**33. Financial Risk (continued)**

**d) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk.

**e) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates primarily in the Republic of Trinidad and Tobago. Most of the Group's liabilities are denominated in local currency and are matched with local assets. The strategy for dealing with foreign exchange risk is to, as far as possible, offset foreign currency liabilities with assets denominated in the same currency.

Due to the unavailability of United States Dollars from the local banking system, the Group holds foreign currency assets for investment purposes and to settle reinsurance liabilities.

The Group's net exposure to currency risk is as follows:

Company		Net Foreign Currency Assets	Group	
2007 \$'000	2008 \$'000		2008 \$'000	2007 \$'000
<u>123,100</u>	<u>102,979</u>	United States Dollars	<u>175,162</u>	<u>199,871</u>

**f) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities, including short term investments, investments in bonds, mortgage loans, other loans, bank overdraft, customer deposits and other funding instruments.

**i) Risk management**

Exposure is managed using interest rate sensitivity management.

In the Republic of Trinidad and Tobago, the availability of creative hedging strategies is very limited. Therefore, the Group attempts to maintain a well-balanced portfolio by matching interest sensitive assets with interest sensitive liabilities.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**33. Financial Risk (continued)**

**f) Interest rate risk (continued)**

**ii) Short term investments**

The short maturities of these investments allow the Group to take advantage of rising interest rates. However, the Group is exposed to falling interest rates. As part of a well-balanced portfolio, if interest rates decrease, the increase in value of the bond portfolio will reduce the negative effect of the reduction in interest rate.

**iii) Bonds**

The Group invests mainly in medium to long term bonds consisting of both floating rate and fixed rate instruments.

Financial assets classified as at fair value through profit or loss comprise mainly floating rate securities. The market values of these bonds are not very sensitive to changes in interest rates.

Financial assets classified as held to maturity comprise mainly fixed rate bonds. The market values of these bonds are sensitive to changes in interest rates. The longer the maturity of the bonds, the greater is the sensitivity to changes in interest rates. Because these assets are being held to maturity and are not traded, any changes in market value will not impact the statement of income.

The Group actively monitors bonds with maturities greater than ten years, as well as the interest rate policies of the Central Bank of Trinidad and Tobago.

**iv) Mortgage loans**

Mortgage loans are for terms of up to thirty years. The interest rates on mortgage loans are generally fixed for the first three years and adjustable thereafter.

**v) Other loans**

The Group invests in fixed rate loans for terms not exceeding five years. These are funded mainly by borrowings in the form of customer deposits and other funding instruments.

**vi) Interest rate sensitivity gap**

The Group's exposure to interest rate risk is summarised in the table below which analyses assets and liabilities at their carrying amounts categorised by the earlier of contractual re-pricing or maturity dates except for insurance contracts liabilities which are analysed by estimated timings.

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**33. Financial Risk (continued)**

**f) Interest rate risk (continued)**

**vi) Interest rate sensitivity gap (continued)**

	<b>Group 2008</b>			<b>Non-Interest bearing</b>	<b>Total</b>
	<b>Up to one year \$'000</b>	<b>Two to five years \$'000</b>	<b>Over five years \$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>					
Liquid assets	239,053	-	-	-	239,053
Financial assets	287,356	115,079	301,694	69,246	773,375
Other assets	-	-	-	420,694	420,694
	<u>526,409</u>	<u>115,079</u>	<u>301,694</u>	<u>489,940</u>	<u>1,433,122</u>
<b>Liabilities</b>					
Bank overdraft	5,349	-	-	-	5,349
Insurance contracts	436,192	-	343,161	307,441	1,086,794
Other liabilities	39,109	-	-	90,097	129,206
	<u>480,650</u>	<u>-</u>	<u>343,161</u>	<u>397,538</u>	<u>1,221,349</u>
<b>Net gap</b>	<u>45,759</u>	<u>115,079</u>	<u>(41,467)</u>	<u>92,402</u>	<u>211,773</u>
<b>Cumulative gap</b>	<u>45,759</u>	<u>160,838</u>	<u>119,371</u>	<u>211,773</u>	
	<b>Group 2007</b>				
	<b>Up to one year \$'000</b>	<b>Two to five years \$'000</b>	<b>Over five years \$'000</b>	<b>Non-Interest bearing \$'000</b>	<b>Total \$'000</b>
<b>Assets</b>					
Liquid assets	170,452	-	-	-	170,452
Financial assets	222,370	187,905	271,686	92,988	774,949
Other assets	-	-	-	400,981	400,981
	<u>392,822</u>	<u>187,905</u>	<u>271,686</u>	<u>493,969</u>	<u>1,346,382</u>
<b>Liabilities</b>					
Bank overdraft	8,220	-	-	-	8,220
Insurance contracts	405,990	-	321,101	300,009	1,027,100
Other liabilities	21,559	-	-	93,445	115,004
	<u>435,769</u>	<u>-</u>	<u>321,101</u>	<u>393,454</u>	<u>1,150,324</u>
<b>Net gap</b>	<u>(42,947)</u>	<u>187,905</u>	<u>(49,415)</u>	<u>100,515</u>	<u>196,058</u>
<b>Cumulative gap</b>	<u>(42,947)</u>	<u>144,958</u>	<u>95,543</u>	<u>196,058</u>	

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**33. Financial Risk (continued)**

**f) Interest rate risk (continued)**

**vi) Interest rate sensitivity gap (continued)**

	Company 2008				
	Up to one year \$'000	Two to five years \$'000	Over five years \$'000	Non-Interest bearing \$'000	Total \$'000
<b>Assets</b>					
Liquid assets	201,036	-	-	-	201,036
Financial assets	165,589	2,182	272,926	53,953	494,650
Other assets	-	-	-	369,923	369,923
	<u>366,625</u>	<u>2,182</u>	<u>272,926</u>	<u>423,876</u>	<u>1,065,609</u>
<b>Liabilities</b>					
Bank overdraft	4,695	-	-	-	4,695
Insurance contracts	436,192	-	343,161	117,656	897,009
Other liabilities	-	-	-	39,673	39,673
	<u>440,887</u>	<u>-</u>	<u>343,161</u>	<u>157,329</u>	<u>941,377</u>
<b>Net gap</b>	<u>(74,262)</u>	<u>2,182</u>	<u>(70,235)</u>	<u>266,547</u>	<u>124,232</u>
<b>Cumulative gap</b>	<u>(74,262)</u>	<u>(72,080)</u>	<u>(142,315)</u>	<u>124,232</u>	
	Company 2007				
	Up to one year \$'000	Two to five years \$'000	Over five years \$'000	Non-Interest bearing \$'000	Total \$'000
<b>Assets</b>					
Liquid assets	186,442	-	-	-	186,442
Financial assets	132,563	33,913	242,769	76,855	486,100
Other assets	-	-	-	350,903	350,903
	<u>319,005</u>	<u>33,913</u>	<u>242,769</u>	<u>427,758</u>	<u>1,023,445</u>
<b>Liabilities</b>					
Bank overdraft	5,309	-	-	-	5,309
Insurance contracts	405,990	-	321,101	136,298	863,389
Other liabilities	-	-	-	41,833	41,833
	<u>411,299</u>	<u>-</u>	<u>321,101</u>	<u>178,131</u>	<u>910,531</u>
<b>Net gap</b>	<u>(92,294)</u>	<u>33,913</u>	<u>(78,332)</u>	<u>249,627</u>	<u>112,914</u>
<b>Cumulative gap</b>	<u>(92,294)</u>	<u>(58,381)</u>	<u>(136,713)</u>	<u>112,914</u>	

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**33. Financial Risk (continued)**

**g) Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (equity and commodity prices) whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market.

**i) Equity price risk**

The Group is exposed to equity price risk on its investments in equity instruments classified as available for sale financial assets and financial assets at fair value through profit or loss.

Most of these investments are listed on the Trinidad and Tobago Stock Exchange. The Group actively reviews the financial performance, future growth potential and economic environment before investing in any equities.

The Group manages its exposure to price risk by trading these investments to reduce the impact of any adverse price movements.

The Group has very limited investments in unquoted equity instruments. These investments are stated at cost less provision for impairment losses.

The Group's total exposure to investments in equity instruments is as follows:

<b>Company</b>		<b>Investments in Equity Instruments</b>	<b>Group</b>	
<b>2007</b>	<b>2008</b>		<b>2008</b>	<b>2007</b>
<b>\$'000</b>	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>
49,827	53,350	At fair value through profit or loss	56,097	53,337
27,028	603	Available for sale	13,149	39,651
<u>55,585</u>	<u>54,535</u>	Subsidiaries	<u>-</u>	<u>-</u>
<b><u>132,440</u></b>	<b><u>108,488</u></b>		<b><u>69,246</u></b>	<b><u>92,988</u></b>

**ii) Commodity price risk**

The Group is not exposed to commodity price risk.



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**34. Fair Value of Financial Assets and Liabilities**

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. The existence of published price quotation in an active market is the best evidence of fair value. Where market prices are not available, fair values are estimated using various valuation techniques, including using recent arm's length market transactions between knowledgeable, willing parties, if available, current fair value of another financial instrument that is substantially the same and discounted cash flow analysis.

The following methods have been used to estimate the fair values of various classes of financial assets and liabilities:

**a) Current assets and current liabilities**

The carrying amounts of current assets and current liabilities are a reasonable approximation of the fair values because of their short-term nature.

**b) Quoted securities**

The fair values of quoted securities are determined on the basis of quoted market prices available at December 31, 2008.

**c) Unquoted securities**

The fair values of unquoted securities are determined using various valuation techniques. Unquoted securities are stated at cost less accumulated impairment provisions.

**d) Loans and receivables**

Loans and receivables are stated net of specific provisions for impairment losses. These assets result from transactions under typical market conditions and their values are not adversely affected by unusual terms. The inherent rates of interest in the portfolio approximate market conditions and yield discounted cash flow values, which are substantially in accordance with financial statement amounts.

**35. Capital Risk Management**

The Group manages its capital to ensure that companies in the Group will be able to continue as a going concern while maximising the return to shareholders. The Group's overall strategy remains unchanged from 2007.

The capital structure of the Group consists of equity attributable to shareholders, comprising issued capital, reserves and retained earnings.

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**36. Contingent Liabilities**

- a) During the period from March to June 2002, the State laid several charges indictably on several individuals and companies including two of the Company's subsidiaries. The charges cover offences that are alleged to have occurred between the period from July 1, 1996 to December 21, 2000, and constitute for the greater part the following:
- i) corruptly receiving significant funds on account of and paying such funds to and on behalf of an individual who was at the time performing duties in which the public had an interest;
  - ii) aiding and abetting the said individual to misbehave in public office; and
  - iii) conspiring to convert funds that the State alleges the subsidiaries had reasonable grounds to suspect were part of proceeds of a specified offence.

On January 7, 2008, the Chief Magistrate discharged all of the accused persons, including two of the Company's subsidiaries, in respect of all of the original charges preferred against them. Thereafter, the Chief Magistrate committed all of the accused persons including two of the Company's subsidiaries to stand trial on new and substituted charges all of which are denied by the accused.

On April 4, 2008, two of the Company's subsidiaries made an application for Leave for Judicial review. Having been refused leave, the companies have lodged an appeal with the Court of Appeal, which is currently pending.

- b) Additionally, on May 20, 2004 the Company and two of its subsidiaries together with other companies were charged with the offence of conspiring with other persons to obtain contracts and payments or settlements thereafter, of a total face value of up to \$1,600,000,000 contrary to Section 34(1) of the Larceny Act Chapter 11:12. The Company has been advised by its attorneys that this offence is not known to the law.
- c) All of these matters are currently before the Courts. No provision has been made in these financial statements in respect to any of the alleged charges. Legal fees in connection with these matters are expensed as incurred.

**37. Dividends**

The Board of Directors has proposed a dividend of 22¢ per share for the year ended December 31, 2008 (2007: 22¢ per share). This dividend, amounting to \$2,391,705 is not recorded as a liability in the Balance Sheet in accordance with International Accounting Standard 10.

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			Group
	Place of incorporation	2008 % shareholding	2007 % shareholding
<b>38. <u>Subsidiaries</u></b>			
Fidelity Finance and Leasing Company Limited Acceptance of deposits and carrying on the business of a finance house or finance company, trust company and leasing corporation	Republic of Trinidad and Tobago	100	100
Inter-Island Mortgage Finance Limited Granting of mortgage loans	Republic of Trinidad and Tobago	100	100
Keystone Property Developers Limited Building contractors and real estate developers	Republic of Trinidad and Tobago	100	100
Las Cuevas South West Limited Land development	Republic of Trinidad and Tobago	100	100
Maritime General Insurance Company Limited Underwriting all classes of general insurance business in Trinidad and Tobago	Republic of Trinidad and Tobago	92	92
Maritime Leasing Company Limited Leasing of equipment and commercial properties	Republic of Trinidad and Tobago	100	100
Maritime Residences Limited Development, trade and rental of newly constructed dwelling houses	Republic of Trinidad and Tobago	100	100
Nettletons Limited Retail operations	Republic of Trinidad and Tobago	100	100
Comteq Technological Services Company Limited On-line sales	Republic of Trinidad and Tobago	100	100
Marnett Security Company Limited Provision of security services	Republic of Trinidad and Tobago	100	100