



Chartered Accountants
& Business Advisors

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

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2009



Chartered Accountants
& Business Advisors

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

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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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-eighth Annual General Meeting of the shareholders to be held at the Corporate Offices, Maritime Centre, 29 Tenth Avenue, Barataria on March 26th, 2010.

Your directors have pleasure in submitting their report for the year ended 31st December 2009.

	Company 2009 \$'000	Group 2009 \$'000
1. Income for the year		
Net income for the year	9,673	30,221
Less: Taxation	<u>4,927</u>	<u>9,400</u>
Net income for the year after taxation	4,746	20,821
Less: Non-controlling interest	-	1,219
Amount transferred to Catastrophe Reserve	-	1,764
Amount transferred to Statutory Reserves	-	3,163
Dividends paid – 2008 (22¢)	<u>2,392</u>	<u>2,392</u>
Leaving a balance to be carried forward of	<u><u>2,354</u></u>	<u><u>12,283</u></u>
2. Capital reserve	<u><u>73,788</u></u>	<u><u>76,210</u></u>
3. Insurance contracts liabilities	<u><u>947,094</u></u>	<u><u>1,144,247</u></u>
4. The directors have proposed a dividend of 22¢ per share, amounting to \$2,391,705 payable on March 26 th , 2010 to shareholders on record at March 5 th , 2010.		
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

ADVISORY BOARD	Bruce A. Mc I. Procope, QC - Chairman Hugh P. Eastman Barbara Gomes Jean Khoury	
BOARD OF DIRECTORS	John H. Smith, FCCA, CA Andrew Ferguson, BSc, CPCU, ARe, FLMI, AFSB Lesley J. Alfonso, BBA, FLMI	
EXECUTIVE MANAGEMENT	John H. Smith, FCCA, CA	Chairman/Managing Director/ Chief Executive Officer
	Andrew Ferguson, BSc, CPCU, ARe, FLMI, AFSB	Chief Operating Officer/Director- Enterprise Risk Management
	Oliver Camps	Chairman - General Insurance Services
	Lesley J. Alfonso, BBA, FLMI	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
BANKERS	Scotiabank Trinidad & Tobago Limited, Port of Spain. RBTT Bank Limited, Port of Spain. Republic Bank Limited, Port of Spain.	
ATTORNEYS	Chersons, Port of Spain. Lex Caribbean, Port of Spain. Pollonais, Blanc, de la Bastide & Jacelon, Port of Spain.	
APPOINTED ACTUARY	Nazir Valani, FSA	
AUDITORS	PKF Accountants and Business Advisors, Port of Spain.	
REGISTERED OFFICE	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-eighth Annual General Meeting of the above-named Company will be held at the Corporate Offices, Maritime Centre, 29 Tenth Avenue, Barataria on Friday March 26th, 2010 at 1:45 pm for the following purposes:-

1. To receive the Audited Financial Statements for the year ended 31st December, 2009, 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

March 5, 2010

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 statement of financial position as at December 31, 2009. In my opinion, the aggregate amount of the liabilities of the Company in relation to its long term insurance business as at December 31, 2009 did not exceed the aggregate amount of those liabilities shown in the statement of financial position of the Company.


Nazir Valani, FSA
Appointed Actuary

March 19, 2010



Chartered Accountants
& Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Maritime Life (Caribbean) Limited and its Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Maritime Life (Caribbean) Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2009, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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, 2009 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.

PKF

Port-of-Spain
TRINIDAD
March 19, 2010

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

STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2009

Company		Notes	Group	
2008 \$'000	2009 \$'000		2009 \$'000	2008 \$'000
290,349	306,973	4	519,244	382,337
-	-	5	862	1,038
54,535	71,135	6	-	-
494,650	514,791	7	730,288	773,375
73,972	87,800	8	99,800	85,972
<u>152,103</u>	<u>153,305</u>	9	<u>187,332</u>	<u>190,400</u>
<u>1,065,609</u>	<u>1,134,004</u>		<u>1,537,526</u>	<u>1,433,122</u>
Financed By:				
43,950	54,584	10	157,337	134,025
418	1,882	11	1,882	530
<u>897,009</u>	<u>947,094</u>	12	<u>1,144,247</u>	<u>1,086,794</u>
<u>941,377</u>	<u>1,003,560</u>		<u>1,303,466</u>	<u>1,221,349</u>
10,871	10,871	13	10,871	10,871
69,930	73,788	14	76,210	72,352
-	-	15	11,453	9,689
15,500	15,500	16	20,210	20,210
-	-	17	-	-
-	-	18	25,496	22,333
<u>27,931</u>	<u>30,285</u>		<u>80,213</u>	<u>67,930</u>
124,232	130,444		224,453	203,385
-	-	19	<u>9,607</u>	<u>8,388</u>
<u>124,232</u>	<u>130,444</u>		<u>234,060</u>	<u>211,773</u>
<u>1,065,609</u>	<u>1,134,004</u>		<u>1,537,526</u>	<u>1,433,122</u>

These financial statements were approved by the Board of Directors and authorised for issue on March 19, 2010 and are signed on their behalf by:



John H. Smith
 Director



Andrew Ferguson
 Director

The notes on pages 12 to 67 form part of these financial statements.

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009

Company				Group
2008	2009		2009	2008
\$'000	\$'000		\$'000	\$'000
		Revenue		
113,884	127,041	Premium income	294,479	275,620
1,012	2,324	Reinsurance recoveries	4,581	7,854
42,349	84,405	Investment income	20 107,407	52,953
<u>17,096</u>	<u>17,044</u>	Other income	21 <u>75,973</u>	<u>82,851</u>
<u>174,341</u>	<u>230,814</u>		<u>482,440</u>	<u>419,278</u>
		Expenses		
93,032	136,279	Policyholders' benefits	22 206,417	173,628
6,070	8,916	Reinsurance premiums	59,277	50,465
-	-	Interest on deposits	3,492	2,218
22,243	32,771	Other direct costs	23 101,472	97,830
<u>44,391</u>	<u>43,175</u>	Expenses of management	24 <u>81,561</u>	<u>78,727</u>
<u>165,736</u>	<u>221,141</u>		<u>452,219</u>	<u>402,868</u>
8,605	9,673	Surplus before taxation	30,221	16,410
<u>3,776</u>	<u>4,927</u>	Taxation	25 <u>9,400</u>	<u>7,184</u>
4,829	4,746	Surplus after taxation	20,821	9,226
		Other comprehensive income		
<u>-</u>	<u>3,858</u>	Revaluation surplus	<u>3,858</u>	<u>-</u>
<u>4,829</u>	<u>8,604</u>	Total comprehensive income	<u>24,679</u>	<u>9,226</u>
		Surplus attributable to:		
-	-	Non-controlling interests	1,219	934
<u>4,829</u>	<u>4,746</u>	Shareholders of the company	<u>19,602</u>	<u>8,292</u>
<u>4,829</u>	<u>4,746</u>		<u>20,821</u>	<u>9,226</u>
		Total comprehensive income attributable to:		
-	-	Non-controlling interests	1,219	934
<u>4,829</u>	<u>8,604</u>	Shareholders of the company	<u>23,460</u>	<u>8,292</u>
<u>4,829</u>	<u>8,604</u>		<u>24,679</u>	<u>9,226</u>

The notes on pages 12 to 67 form part of these financial statements.

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009

	Stated capital S'000	Capital reserve S'000	Catastrophe reserve S'000	General reserve S'000	Investment revaluation reserve S'000	Statutory reserves S'000	Retained earnings S'000	Share holders' equity S'000	Non- controlling interests S'000	Total equity S'000
Group										
Balance at December 31, 2007	<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>	<u>7,454</u>	<u>196,058</u>
Total comprehensive income	-	-	-	-	-	-	8,292	8,292	934	9,226
Transfer to profit or loss - available for sale financial assets	-	-	-	-	8,881	-	-	8,881	-	8,881
Dividends paid 2007 (22 ¢)	-	-	-	-	-	-	(2,392)	(2,392)	-	(2,392)
Transfers from retained earnings	<u>-</u>	<u>-</u>	<u>3,734</u>	<u>795</u>	<u>-</u>	<u>1,894</u>	<u>(6,423)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>3,734</u>	<u>795</u>	<u>8,881</u>	<u>1,894</u>	<u>(523)</u>	<u>14,781</u>	<u>934</u>	<u>15,715</u>
Balance at December 31, 2008	<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>	<u>8,388</u>	<u>211,773</u>
Total comprehensive income	-	3,858	-	-	-	-	19,602	23,460	1,219	24,679
Dividends paid 2008 (22 ¢)	-	-	-	-	-	-	(2,392)	(2,392)	-	(2,392)
Transfers from retained earnings	<u>-</u>	<u>-</u>	<u>1,764</u>	<u>-</u>	<u>-</u>	<u>3,163</u>	<u>(4,927)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>3,858</u>	<u>1,764</u>	<u>-</u>	<u>-</u>	<u>3,163</u>	<u>12,283</u>	<u>21,068</u>	<u>1,219</u>	<u>22,287</u>
Balance at December 31, 2009	<u>10,871</u>	<u>76,210</u>	<u>11,453</u>	<u>20,210</u>	<u>-</u>	<u>25,496</u>	<u>80,213</u>	<u>224,453</u>	<u>9,607</u>	<u>234,060</u>

The notes on pages 12 to 67 form part of these financial statements.

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009
(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
Company								
Balance at December 31, 2007	<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>
Total comprehensive income	-	-	-	-	-	-	4,829	4,829
Transfer to profit or loss – available for sale financial assets	-	-	-	-	8,881	-	-	8,881
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>
Balance at December 31, 2008	<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>
Total comprehensive income	-	3,858	-	-	-	-	4,746	8,604
Dividends paid 2008 (22¢)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,392)</u>	<u>(2,392)</u>
	<u>-</u>	<u>3,858</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,354</u>	<u>6,212</u>
Balance at December 31, 2009	<u>10,871</u>	<u>73,788</u>	<u>-</u>	<u>15,500</u>	<u>-</u>	<u>-</u>	<u>30,285</u>	<u>130,444</u>

The notes on pages 12 to 67 form part of these financial statements.

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

Company			Group	
2008	2009		2009	2008
\$'000	\$'000		\$'000	\$'000
Cash Flows from Operating Activities				
8,605	9,673	Surplus before taxation	30,221	16,410
		Adjustments for:		
5,690	5,521	Depreciation (net)	13,219	14,986
6,259	(37,814)	(Gain)/loss on sale/revaluation of assets	(32,883)	20,838
<u>34,352</u>	<u>51,113</u>	Increase in insurance contracts liabilities	<u>58,481</u>	<u>60,426</u>
54,906	28,493	Operating surplus before working capital changes	69,038	112,660
(23,671)	(20,852)	Change in receivables	(15,192)	(11,259)
-	-	Change in customers' deposits	21,163	17,449
-	-	Change in other funding instruments	133	101
<u>(2,931)</u>	<u>7,805</u>	Change in other payables	<u>(53)</u>	<u>(3,861)</u>
28,304	15,446	Cash generated from operations	75,089	115,090
(732)	(1,028)	Dividends paid to policyholders	(1,028)	(732)
<u>(3,005)</u>	<u>(4,500)</u>	Corporation taxes paid (net)	<u>(9,105)</u>	<u>(8,705)</u>
<u>24,567</u>	<u>9,918</u>	Net cash generated from operating activities	<u>64,956</u>	<u>105,653</u>
Cash Flows from Investing Activities				
72,404	48,047	Sale/redemption of financial assets	77,976	61,083
198	115	Sale of property, plant and equipment	1,579	2,070
(9,416)	10,179	Change in loans and receivables	62,971	12,410
(67,334)	(56,837)	Purchase of other financial assets	(90,962)	(83,357)
(1,087)	(4)	Additions to investment properties	(4)	(1,087)
<u>(1,732)</u>	<u>(2,980)</u>	Purchase of property, plant and equipment	<u>(7,872)</u>	<u>(22,908)</u>
<u>(6,967)</u>	<u>(1,480)</u>	Net cash used in investing activities	<u>43,688</u>	<u>(31,789)</u>
Cash Flows from Financing Activities				
<u>(2,392)</u>	<u>(2,392)</u>	Dividends paid to shareholders	<u>(2,392)</u>	<u>(2,392)</u>
<u>(2,392)</u>	<u>(2,392)</u>	Net cash used in financing activities	<u>(2,392)</u>	<u>(2,392)</u>
15,208	6,046	Net change in cash and cash equivalents	106,252	71,472
<u>181,133</u>	<u>196,341</u>	Cash and cash equivalents	<u>233,704</u>	<u>162,232</u>
		- at beginning of year		
<u>196,341</u>	<u>202,387</u>	- at end of year (Note 26)	<u>339,956</u>	<u>233,704</u>

The notes on pages 12 to 67 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, 2009

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 the amendments to the following IFRSs that became effective for accounting periods beginning on or after 1 January 2009:

IFRS 7	Financial Instruments: Disclosures – Amendments enhancing disclosures about fair value and liquidity risk.
IAS 1	Presentation of Financial Statements – Comprehensive revision including requiring a statement of comprehensive income, and amendments resulting from May 2008 Annual Improvements to IFRSs.
IAS 23	Borrowing Costs – Comprehensive revision to prohibit immediate expensing and amendments resulting from May 2008 Annual Improvements to IFRSs.

- ii)** The Group has not applied the amendments to the following IFRSs and IFRICs that became effective for accounting periods beginning on or after 1 January 2009, as either they do not apply to the activities of the Group or have no material impact on the financial statements:

IFRS 1	First-time Adoption of International Financial Reporting Standards – Amendment relating to cost of an investment on first time adoption.
IFRS 2	Share-based Payment – Amendment relating to vesting conditions and cancellations.
IFRS 8	Operating Segments.
IAS 1	Presentation of Financial Statements – Amendments relating to disclosure of puttable instruments and obligations arising on liquidation.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

2. Summary of Significant Accounting Policies (continued)

b) New Accounting Standards and Interpretations (continued)

IAS 16	Property, Plant and Equipment – Amendments resulting from May 2008 Annual Improvements to IFRSs.
IAS 19	Employee Benefits – Amendments resulting from May 2008 Annual Improvements to IFRSs.
IAS 20	Government Grants and Disclosure of Government Assistance – Amendments resulting from May 2008 Annual Improvements to IFRSs.
IAS 27	Consolidated and Separate Financial Statements – Amendment relating to cost of an investment on first-time adoption and amendments resulting from May 2008 Annual Improvements to IFRSs.
IAS 28	Investment in Associates – Amendments resulting from May 2008 Annual Improvements to IFRSs.
IAS 29	Financial Reporting in Hyperinflationary Economies – Amendments resulting from May 2008 Annual Improvements to IFRSs.
IAS 31	Interests in Joint Ventures – Amendments resulting from May 2008 Annual Improvements to IFRSs.
IAS 32	Financial Instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation.
IAS 36	Impairment of Assets – Amendments resulting from May 2008 Annual Improvements to IFRSs.
IAS 38	Intangible Assets – Amendments resulting from May 2008 Annual Improvements to IFRSs.
IAS 39	Financial Instruments: Recognition and Measurement – Amendments resulting from May 2008 Annual Improvements to IFRSs.
IAS 40	Investment Property – Amendments resulting from May 2008 Annual Improvements to IFRSs.
IAS 41	Agriculture – Amendments resulting from May 2008 Annual Improvements to IFRSs.
IFRIC 15	Agreements for the Construction of Real Estate.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

2. Summary of Significant Accounting Policies (continued)

b) New Accounting Standards and Interpretations (continued)

iii) The Group has not applied the amendments to the following IFRSs and IFRICs which are effective for accounting periods beginning on or after 1 July 2009:

IFRS 1	First-time Adoption of International Financial Reporting Standards – Revised and restructured.
IFRS 2	Share-based Payment – Amendments resulting from April 2009 Annual Improvements to IFRSs.
IFRS 3	Business Combinations – Comprehensive revision on applying the acquisition method.
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations – Amendments resulting from May 2008 Annual Improvements to IFRSs.
IAS 27	Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS 3.
IAS 28	Investments in Associates – Consequential amendments arising from amendments to IFRS 3.
IAS 31	Interest in Joint Ventures – Amendments resulting from May 2008 Annual Improvements to IFRSs.
IAS 38	Intangible Assets – Amendments resulting from April 2009 Annual Improvements to IFRSs.
IAS 39	Financial Instruments: Recognition and Measurement – Amendments for eligible hedged items.
IAS 39	Financial Instruments: Recognition and Measurement – Amendments for embedded derivatives when reclassifying financial instruments (effective for accounting periods ending on or after 30 June 2009).
IFRIC 17	Distributions of Non-cash Assets to Owners.
IFRIC 18	Transfer of Assets from Customers.

iv) The Group has not applied the following IFRS, revised IFRSs and IFRICs which are effective for accounting periods beginning on or after 1 January 2010 or later:

IFRS 1	First-time Adoption of International Financial Reporting Standards – Amendments relating to oil and gas assets and determining whether an arrangement contains a lease.
IFRS 2	Share-based Payment – Amendments relating to group cash-settled share-based payment transactions.

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(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)

IFRS 5	Non-current Assets Held for Sale and Discontinued Operations – Amendments resulting from April 2009 Annual Improvements to IFRSs.
IFRS 8	Operating Segments – Amendments resulting from April 2009 Annual Improvements to IFRSs.
IFRS 9	Financial Instruments – Classification and Measurement (effective for accounting periods beginning on or after 1 January 2013).
IAS 1	Presentation of Financial Statements – Amendments resulting from April 2009 Annual Improvements to IFRSs.
IAS 7	Statement of Cash Flows – Amendments resulting from April 2009 Annual Improvements to IFRSs.
IAS 17	Leases – Amendments resulting from April 2009 Annual Improvements to IFRSs.
IAS 24	Related Party Disclosures – Revised definition of related parties.
IAS 32	Financial Instruments: Presentation – Amendments relating to classification of rights issues (effective for accounting periods beginning on or after 1 February 2010).
IAS 36	Impairment of Assets – Amendments resulting from April 2009 Annual Improvements to IFRSs.
IAS 39	Financial Instruments: Recognition and Measurement – Amendments resulting from April 2009 Annual Improvements to IFRSs.
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments (effective for accounting periods beginning on or after 1 July 2010).

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 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)

d) Basis of consolidation (continued)

i) Group (continued)

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.

During the year a new subsidiary, Balandra by the Bay 1 Limited, commenced operations. There were no disposals of subsidiaries during the year.

Non-controlling interests 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.

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.

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

g) Land development

Land development represents lands held for development and resale and are stated at cost, plus development expenditure incurred and directly attributable borrowing costs. These costs are carried forward until the lands are sold.

h) 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.

i) 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 reporting 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)

i) 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 profit or loss 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 other comprehensive income except for impairment losses and foreign exchange gains and losses. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

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 profit or loss when the shareholders' right to receive the dividend is established.

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(Maritime Life (Caribbean) Limited and its subsidiaries)

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

i) 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 profit or loss on an effective yield basis. Gains or losses are recognised in profit or loss 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)

j) Impairment of financial assets

The Group assesses at each reporting 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)

j) 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 profit or loss.

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 profit or loss.

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 profit or loss. These losses are not reversed.

iii) Available for sale financial assets

The cumulative loss recognised in other comprehensive income, (representing the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss), is reclassified from equity to profit or loss as a reclassification adjustment even though the financial assets has not been derecognised. These losses are not reversed.

k) 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)

k) 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 2009. Gains and losses arising from changes in fair values are included in profit or loss 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 profit or loss in the period of retirement or disposal.

l) Property, plant and equipment

- i) Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one period.

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 profit or loss 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 profit or loss 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 2007 and 2009. 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.

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

l) Property, plant and equipment (continued)

Increases in carrying amounts arising from revaluations are recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus in capital reserve. Decreases in carrying amounts arising from revaluations are recognized in other comprehensive income to the extent of any credit balance existing in revaluation surplus in respect of that asset. All other decreases are recognised in profit or loss.

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.

m) 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 profit or loss.

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

n) 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 reporting 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

2. Summary of Significant Accounting Policies (continued)

o) 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 statement of financial position 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.

p) 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)

p) 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, 2009 revealed a surplus before tax amounting to \$6,039,000 (2008: \$5,455,000), of which \$5,273,000 (2008: \$4,655,000) is allocated to shareholders and \$766,000 (2008: \$800,000) 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 year-end date. Provisions are also made for claims and claims expenses incurred in 2009 but not reported until after the year-end date. Differences between the provisions for outstanding claims and claims expenses and subsequent settlements and revisions are included in profit or loss in later years.

q) 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 reporting 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.

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.

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

q) Short term insurance contracts (continued)

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 year-end date. Provisions are also made for claims and claims expenses incurred in 2009 but not reported until after the year-end date. Differences between the provisions for outstanding claims and claims expenses and subsequent settlements and revisions are included in profit or loss in later years.

vi) Catastrophe reserves

Amounts set aside for catastrophe reserves are included in equity.

r) Liability adequacy test

The Group assesses at each reporting 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 profit or loss and the amount of the relevant insurance contract liabilities is increased. The minimum reserves calculated based on the liability adequacy test at December 31, 2009 were lower than the actual reserves held in the statement of financial position.

s) Impairment of reinsurance assets

If a reinsurance asset is impaired the carrying amount is reduced accordingly and the impairment loss is recognised in profit or loss.

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
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2. Summary of Significant Accounting Policies (continued)

t) 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 reporting 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 and other 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, 2009

2. Summary of Significant Accounting Policies (continued)

t) 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.

u) 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.

v) 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.

w) 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.

x) 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, 2009

2. Summary of Significant Accounting Policies (continued)

x) 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 profit or loss.

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 reporting 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 profit or loss 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.

y) 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 reporting 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 profit or loss.

z) 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 and other 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.

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)

aa) 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 \$24,562,000 at December 31, 2009 (2008: \$23,650,000).

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 profit or loss 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 profit or loss.

c) Key assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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:

THE MARITIME FINANCIAL GROUP
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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 reporting 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 year-end date and claims incurred but not reported until after the year-end 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	
2008	2009		2009	2008
\$'000	\$'000		\$'000	\$'000
4. <u>Current Assets</u>				
4,445	2,127	Cash and bank balances	23,335	16,230
196,591	208,821	Short term investments	325,188	222,823
-	-	Central Bank reserve account	8,891	14,510
66,153	72,245	Accounts receivable	30,539	31,426
10,619	8,118	Outstanding premiums	8,118	10,619
12,541	15,662	Reinsurance assets	74,019	74,025
-	-	Inventories	4,302	4,629
-	-	Land development	42,455	5,762
-	-	Taxation recoverable	2,397	2,313
<u>290,349</u>	<u>306,973</u>		<u>519,244</u>	<u>382,337</u>
a) Short term investments - Concentration:				
139,785	133,459	Deposits with licensed banks and financial institutions	160,772	117,353
<u>56,806</u>	<u>75,362</u>	Treasury bills	<u>164,416</u>	<u>105,470</u>
<u>196,591</u>	<u>208,821</u>		<u>325,188</u>	<u>222,823</u>
b) Central Bank reserve account				
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.				
c) Accounts receivable				
i) Balances outstanding				
7,627	8,306	Accrued investment income	8,107	9,813
45,012	63,554	Amounts due from subsidiaries	-	-
-	-	Brokers and agents balances	6,302	3,436
<u>22,717</u>	<u>23,728</u>	Other receivables	<u>33,559</u>	<u>31,167</u>
75,356	95,588		47,968	44,416
<u>9,203</u>	<u>23,343</u>	Less: impairment provision	<u>17,429</u>	<u>12,990</u>
<u>66,153</u>	<u>72,245</u>		<u>30,539</u>	<u>31,426</u>

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Company			Group	
2008	2009		2009	2008
\$'000	\$'000		\$'000	\$'000
4. <u>Current Assets (continued)</u>				
c) Accounts receivable (continued)				
ii) Impairment provision:				
8,671	9,203	Balance brought forward	12,990	12,471
<u>532</u>	<u>14,140</u>	Provision for the year	<u>4,439</u>	<u>519</u>
<u>9,203</u>	<u>23,343</u>		<u>17,429</u>	<u>12,990</u>
iii) Brokers and agents balances:				
Aged analysis				
-	-	Up to 30 days	514	1,101
-	-	31 to 45 days	5,102	669
<u>-</u>	<u>-</u>	Over 45 days	<u>686</u>	<u>1,666</u>
<u>-</u>	<u>-</u>		<u>6,302</u>	<u>3,436</u>
d) Reinsurance assets				
<u>1,357</u>	<u>-</u>	i) Amounts due from reinsurers	<u>62</u>	<u>2,586</u>
Other amounts				
9,684	12,431	Long term insurance contracts	12,431	9,684
1,500	3,231	Reinsurers share of:		
-	-	Outstanding claims	39,530	40,280
-	-	Claims incurred but not reported	7,260	7,756
<u>-</u>	<u>-</u>	Unearned premiums	13,708	12,762
		Unexpired risks	<u>1,028</u>	<u>957</u>
<u>11,184</u>	<u>15,662</u>		<u>73,957</u>	<u>71,439</u>
<u>12,541</u>	<u>15,662</u>	Total	<u>74,019</u>	<u>74,025</u>

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Company			Group	
2008	2009		2009	2008
\$'000	\$'000		\$'000	\$'000
4. <u>Current Assets (continued)</u>				
d) Reinsurance assets (continued)				
ii) Reconciliation				
Amounts due from reinsurers				
1,758	1,357	Balance brought forward	2,586	2,486
1,012	2,324	Recoverable for the year	4,581	7,853
-	(1,357)	Provision	(1,357)	-
<u>(1,413)</u>	<u>(2,324)</u>	Payments received during the year	<u>(5,748)</u>	<u>(7,753)</u>
<u>1,357</u>	<u>-</u>		<u>62</u>	<u>2,586</u>
Other amounts				
8,271	11,184	Balance brought forward	71,439	60,582
2,408	2,747	Increases/(decreases) in:		
505	1,731	Long term insurance contracts	2,747	2,408
-	-	Outstanding claims	(750)	7,293
-	-	Claims incurred but not reported	(496)	1,357
-	-	Unearned premiums	946	(187)
<u>-</u>	<u>-</u>	Unexpired risks	<u>71</u>	<u>(14)</u>
<u>11,184</u>	<u>15,662</u>		<u>73,957</u>	<u>71,439</u>
<u><u>12,541</u></u>	<u><u>15,662</u></u>	Total	<u><u>74,019</u></u>	<u><u>74,025</u></u>
5. <u>Deferred Tax Assets</u>				
Deferred tax assets arising from:				
-	-	Tax losses carried forward	-	429
<u>-</u>	<u>-</u>	Depreciation of property, plant and equipment	<u>862</u>	<u>609</u>
<u><u>-</u></u>	<u><u>-</u></u>		<u><u>862</u></u>	<u><u>1,038</u></u>
a) Movements for the year				
-	-	Balance brought forward	1,038	670
<u>-</u>	<u>-</u>	Provision for the year	<u>(176)</u>	<u>368</u>
<u><u>-</u></u>	<u><u>-</u></u>		<u><u>862</u></u>	<u><u>1,038</u></u>

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Company			Group	
2008	2009		2009	2008
\$'000	\$'000		\$'000	\$'000
6. <u>Investment in Subsidiaries</u>				
<u>54,535</u>	<u>71,135</u>	Shares at cost	<u>-</u>	<u>-</u>
7. <u>Financial Assets</u>				
Investment securities				
172,829	186,491	Financial assets at fair value through profit or loss	190,973	177,197
603	603	Available for sale financial assets	603	13,149
<u>195,660</u>	<u>212,318</u>	Held to maturity investments	<u>304,914</u>	<u>283,468</u>
<u>369,092</u>	<u>399,412</u>		<u>496,490</u>	<u>473,814</u>
Loans and receivables				
56,222	43,657	Policy and automatic premium loans	43,657	56,222
<u>69,336</u>	<u>71,722</u>	Mortgages and other loans	<u>190,141</u>	<u>243,339</u>
<u>125,558</u>	<u>115,379</u>		<u>233,798</u>	<u>299,561</u>
<u>494,650</u>	<u>514,791</u>	Total	<u>730,288</u>	<u>773,375</u>
a) Fair values				
<u>172,829</u>	<u>186,491</u>	i) Financial assets at fair value through profit or loss	<u>190,973</u>	<u>177,197</u>
<u>603</u>	<u>603</u>	ii) Available for sale financial assets	<u>603</u>	<u>13,149</u>
<u>190,826</u>	<u>229,000</u>	iii) Held to maturity investments	<u>324,178</u>	<u>278,878</u>
<u>69,336</u>	<u>71,722</u>	iv) Mortgages and other loans	<u>190,141</u>	<u>243,339</u>
b) Investment securities – Concentration				
235,527	283,774	Government bonds	326,440	272,541
79,612	49,502	Bonds in licensed financial institutions	101,082	132,027
<u>53,953</u>	<u>66,136</u>	Equities	<u>68,968</u>	<u>69,246</u>
<u>369,092</u>	<u>399,412</u>		<u>496,490</u>	<u>473,814</u>

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Company			Group	
2008	2009		2009	2008
\$'000	\$'000		\$'000	\$'000
7. <u>Financial Assets (continued)</u>				
c) Investment securities – Bonds				
i) Contracted maturity				
49,597	9,666	Up to one year	13,253	79,526
34,498	90,580	Two to five years	146,630	65,292
<u>231,044</u>	<u>233,030</u>	Over five years	<u>267,639</u>	<u>259,750</u>
<u>315,139</u>	<u>333,276</u>		<u>427,522</u>	<u>404,568</u>
%	%		%	%
per annum	per annum		per annum	per annum
ii) Range of interest rates				
6.00 - 12.09	9.76 - 10.25	Up to one year	9.76 - 10.25	6.00 - 12.09
10.25 - 12.09	6.00 - 9.76	Two to five years	5.46 - 10.00	5.46 - 12.09
6.00 - 12.09	6.00 - 9.76	Over five years	6.00 - 9.76	6.00 - 12.09
Company			Group	
2008	2009		2009	2008
\$'000	\$'000		\$'000	\$'000
d) Investment securities – Unquoted equities				
i) At cost				
1,643	1,593	Less: impairment provision	14,308	14,189
<u>1,040</u>	<u>990</u>		<u>13,705</u>	<u>1,040</u>
<u>603</u>	<u>603</u>		<u>603</u>	<u>13,149</u>
ii) Impairment provision				
1,270	1,040	Balance brought forward	1,040	1,270
<u>(230)</u>	<u>(50)</u>	Provision for the year	<u>12,665</u>	<u>(230)</u>
<u>1,040</u>	<u>990</u>		<u>13,705</u>	<u>1,040</u>

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Company			Group	
2008	2009		2009	2008
\$'000	\$'000		\$'000	\$'000
7. <u>Financial Assets (continued)</u>				
e) Policy and automatic premium loans				
26,526	21,132	Policy loans	21,132	26,526
27,490	21,120	Automatic premium loans	21,120	27,490
<u>2,206</u>	<u>1,405</u>	Accrued interest	<u>1,405</u>	<u>2,206</u>
<u>56,222</u>	<u>43,657</u>		<u>43,657</u>	<u>56,222</u>
f) Mortgages and other loans				
69,471	71,857	i) Mortgage loans	72,021	69,684
<u>-</u>	<u>-</u>	Other loans	<u>126,218</u>	<u>178,961</u>
69,471	71,857		198,239	248,645
<u>135</u>	<u>135</u>	Less: impairment provision	<u>8,098</u>	<u>5,306</u>
<u>69,336</u>	<u>71,722</u>		<u>190,141</u>	<u>243,339</u>
ii) Impairment provision:				
135	135	Balance brought forward	5,306	2,765
-	-	Provision for the year	2,792	2,543
<u>-</u>	<u>-</u>	Write offs and adjustments	<u>-</u>	<u>(2)</u>
<u>135</u>	<u>135</u>		<u>8,098</u>	<u>5,306</u>
iii) Concentration - sectoral analysis:				
63,691	66,290	Consumer	140,274	175,433
<u>5,645</u>	<u>5,432</u>	Commercial and industrial	<u>49,867</u>	<u>67,906</u>
<u>69,336</u>	<u>71,722</u>		<u>190,141</u>	<u>243,339</u>
iv) Loans on which interest is not being accrued				
<u>1,661</u>	<u>1,461</u>		<u>15,464</u>	<u>21,133</u>

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Company			Group	
2008	2009		2009	2008
\$'000	\$'000		\$'000	\$'000
8. <u>Investment Properties</u>				
72,885	73,972	At beginning of year	85,972	84,885
1,087	4	Additions	4	1,087
-	(16,600)	Disposals	(16,600)	-
-	30,424	Fair Value Gains	30,424	-
<u>73,972</u>	<u>87,800</u>		<u>99,800</u>	<u>85,972</u>
<u>4,082</u>	<u>3,848</u>	a) Rental income	<u>3,848</u>	<u>4,082</u>
<u>568</u>	<u>488</u>	b) Direct operating expenses	<u>567</u>	<u>653</u>

9. Property, Plant and Equipment

	Properties \$'000	Furniture/ Equipment \$'000	Motor Vehicles \$'000	Equipment on lease \$'000	Total \$'000
Group					
Cost/Valuation					
At beginning of year	166,820	77,732	4,411	35,291	284,254
Additions	-	2,697	2,114	3,061	7,872
Disposals	-	(1,005)	(598)	(4,381)	(5,984)
Revaluation	(3,000)	-	-	-	(3,000)
	<u>163,820</u>	<u>79,424</u>	<u>5,927</u>	<u>33,971</u>	<u>283,142</u>
Accumulated depreciation					
At beginning of year	5,858	63,680	2,964	21,352	93,854
Charge for the year	2,747	4,230	837	5,864	13,678
Disposals	-	(1,005)	(540)	(3,319)	(4,864)
Revaluation	(6,858)	-	-	-	(6,858)
	<u>1,747</u>	<u>66,905</u>	<u>3,261</u>	<u>23,897</u>	<u>95,810</u>
Net book value					
At December 31, 2009	<u>162,073</u>	<u>12,519</u>	<u>2,666</u>	<u>10,074</u>	<u>187,332</u>
At December 31, 2008	<u>160,962</u>	<u>14,052</u>	<u>1,447</u>	<u>13,939</u>	<u>190,400</u>

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9. Property, Plant and Equipment (continued)

	Properties \$'000	Furniture/ Equipment \$'000	Motor Vehicles \$'000	Total \$'000
	Company			
Cost/Valuation				
At beginning of year	146,100	56,202	3,124	205,426
Additions	-	2,118	862	2,980
Disposals	-	-	(349)	(349)
Revaluation	<u>(3,000)</u>	<u>-</u>	<u>-</u>	<u>(3,000)</u>
	<u>143,100</u>	<u>58,320</u>	<u>3,637</u>	<u>205,057</u>
Accumulated depreciation				
At beginning of year	4,752	46,591	1,980	53,323
Charge for the year	2,466	2,578	540	5,584
Disposals	-	-	(297)	(297)
Revaluation	<u>(6,858)</u>	<u>-</u>	<u>-</u>	<u>(6,858)</u>
	<u>360</u>	<u>49,169</u>	<u>2,223</u>	<u>51,752</u>
Net book value				
At December 31, 2009	<u>142,740</u>	<u>9,151</u>	<u>1,414</u>	<u>153,305</u>
At December 31, 2008	<u>141,348</u>	<u>9,611</u>	<u>1,144</u>	<u>152,103</u>
	Company		Group	
	2008 \$'000	2009 \$'000	2009 \$'000	2008 \$'000
a) Written down value of properties				
	<u>86,225</u>	<u>84,486</u>	<u>99,406</u>	<u>101,426</u>
Written down value of the properties had revaluations not been done				
b) Revaluation surplus				
	64,218	64,218	64,218	64,218
	<u>-</u>	<u>3,858</u>	<u>3,858</u>	<u>-</u>
	<u>64,218</u>	<u>68,076</u>	<u>68,076</u>	<u>64,218</u>

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Company			Group	
2008	2009		2009	2008
\$'000	\$'000		\$'000	\$'000
10. <u>Current Liabilities</u>				
4,695	8,561	Bank overdraft	8,567	5,349
-	-	Customers' deposits	58,525	37,362
-	-	Other funding instruments	1,880	1,747
14,546	16,227	Premium suspense	17,917	19,092
20,584	24,829	Accounts payable and accruals	53,418	54,080
1,432	2,036	Provision for employees benefits	3,559	2,575
598	1,873	Reinsurance liabilities	12,413	11,613
<u>2,095</u>	<u>1,058</u>	Taxation payable	<u>1,058</u>	<u>2,207</u>
<u>43,950</u>	<u>54,584</u>		<u>157,337</u>	<u>134,025</u>
a) Bank overdraft				
The Company's has an overdraft facility for \$6,000,000 at Scotiabank Trinidad and Tobago Limited which is unsecured and bears interest at 9.75% (2008: 13.00%) per annum.				
b) Customers' deposits and other funding instruments - Concentration				
-	-	Corporate and commercial	19,618	11,707
-	-	Other financial institutions	2,670	5,355
<u>-</u>	<u>-</u>	Personal	<u>38,117</u>	<u>22,047</u>
<u>-</u>	<u>-</u>		<u>60,405</u>	<u>39,109</u>
c) Other funding instruments				
Other funding instruments are secured by specific assets including Trinidad and Tobago Government Securities.				
d) Reinsurance liabilities				
2,003	598	Balance brought forward	11,613	13,666
6,070	8,916	Reinsurance premiums for the year	59,277	50,465
<u>(7,475)</u>	<u>(7,641)</u>	Payments made during the year	<u>(58,477)</u>	<u>(52,518)</u>
<u>598</u>	<u>1,873</u>	Balance carried forward	<u>12,413</u>	<u>11,613</u>

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Company			Group	
2008	2009		2009	2008
\$'000	\$'000		\$'000	\$'000
11. <u>Deferred Tax Liabilities</u>				
Deferred tax liabilities arising from:				
		Depreciation of property, plant and equipment		
486	170		170	598
(68)	1,712	Other temporary differences	1,712	(68)
<u>418</u>	<u>1,882</u>		<u>1,882</u>	<u>530</u>
a) Movements for the year				
1,194	418	Balance brought forward	530	1,521
(776)	1,464	Provision for the year	1,352	(991)
<u>418</u>	<u>1,882</u>	Balance carried forward	<u>1,882</u>	<u>530</u>
12. <u>Insurance Contracts Liabilities</u>				
425,506	447,159	With discretionary participation features	447,159	425,506
458,272	484,031	Without discretionary participation features	484,031	458,272
13,231	15,904	Provisions for outstanding claims	122,077	117,160
-	-	Provisions for claims incurred but not reported	21,235	20,786
-	-	Provisions for unearned premiums	64,874	60,509
-	-	Provisions for unexpired risks	4,871	4,561
<u>897,009</u>	<u>947,094</u>		<u>1,144,247</u>	<u>1,086,794</u>
a) Reconciliation of changes for the year				
863,389	897,009	Balance brought forward	1,086,794	1,027,100
28,817	44,665	Increase in reserves	48,323	33,329
1,890	942	Increase in claims	6,612	15,508
2,913	4,478	Increase in reinsurance assets	2,518	10,857
<u>897,009</u>	<u>947,094</u>	Balance carried forward	<u>1,144,247</u>	<u>1,086,794</u>

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NOTES TO THE FINANCIAL STATEMENTS
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Company			Group	
2008	2009		2009	2008
\$'000	\$'000		\$'000	\$'000
12. Insurance Contracts Liabilities (continued)				
b) Net insurance contracts liabilities				
897,009	947,094	Insurance contracts liabilities	1,144,247	1,086,794
<u>11,184</u>	<u>15,662</u>	Less: reinsurance assets	<u>73,957</u>	<u>71,439</u>
<u>885,825</u>	<u>931,432</u>		<u>1,070,290</u>	<u>1,015,355</u>
Represents				
425,506	447,159	With discretionary participation features	447,159	425,506
448,588	471,600	Without discretionary participation features	471,600	448,588
11,731	12,673	Provisions for outstanding claims	82,547	76,880
-	-	Provisions for claims incurred but not reported	13,975	13,030
-	-	Provisions for unearned premiums	51,166	47,748
<u>-</u>	<u>-</u>	Provisions for unexpired risks	<u>3,843</u>	<u>3,603</u>
<u>885,825</u>	<u>931,432</u>		<u>1,070,290</u>	<u>1,015,355</u>
c) Concentration by lines of business				
413,154	419,119	Life assurance funds	419,119	413,154
405,957	442,194	Annuities	442,194	405,957
59,461	63,128	Deposit administration contracts	63,128	59,461
7,253	6,991	Policyholder dividends	6,991	7,253
-	-	Property	7,868	8,335
-	-	Motor	115,580	108,492
-	-	Liability	9,183	5,957
-	-	Marine	5,576	5,945
-	-	Pecuniary loss	637	801
<u>-</u>	<u>-</u>	Personal accident	<u>14</u>	<u>-</u>
<u>885,825</u>	<u>931,432</u>		<u>1,070,290</u>	<u>1,015,355</u>
d) Provision for outstanding claims				
10,836	13,231	Balance brought forward	117,160	96,629
46,959	61,122	Claims incurred for the year	128,066	123,569
505	1,731	Reinsurance assets	(751)	7,293
<u>(45,069)</u>	<u>(60,180)</u>	Payments made during the year	<u>(122,398)</u>	<u>(110,331)</u>
<u>13,231</u>	<u>15,904</u>	Balance carried forward	<u>122,077</u>	<u>117,160</u>

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Company		Group	
2008	2009	2009	2008
\$'000	\$'000	\$'000	\$'000

12. Insurance Contracts Liabilities (continued)

e) Aged analysis of outstanding claims

Short term insurance

Up to 2004	44,906	45,911
2005	6,009	8,786
2006	5,186	9,779
2007	9,717	12,281
2008	15,193	27,172
2009	<u>25,162</u>	<u>-</u>
	<u>106,173</u>	<u>103,929</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.

Company			Group	
2008	2009		2009	2008
\$'000	\$'000		\$'000	\$'000
19. Non-Controlling Interests				
-	-	Balance brought forward	8,388	7,454
-	-	Share of surplus after taxation	1,219	934
-	-		<u>9,607</u>	<u>8,388</u>
20. Investment Income				
44,680	40,772	Interest income	63,064	67,286
3,506	3,218	Dividends	3,322	3,605
(661)	1,827	Foreign exchange gains/(losses)	3,029	(918)
13,688	-	Realised gains	-	1,880
(18,864)	38,588	Unrealised gains/(losses)	37,992	(18,900)
<u>42,349</u>	<u>84,405</u>		<u>107,407</u>	<u>52,953</u>
a) Interest income				
11,208	7,692	Cash and cash equivalents	8,541	9,144
11,927	11,798	At fair value through profit or loss	11,954	12,083
11,491	13,860	Held to maturity	20,725	16,811
9,543	5,677	Loans and receivables	22,404	29,698
511	1,745	Other	(560)	(450)
<u>44,680</u>	<u>40,772</u>		<u>63,064</u>	<u>67,286</u>

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Company			Group	
2008	2009		2009	2008
\$'000	\$'000		\$'000	\$'000
20. <u>Investment Income (continued)</u>				
b) Gains/(losses)				
(18,864)	20,922	At fair value through profit or loss	21,036	(18,758)
1,738	50	Available for sale	(12,665)	1,738
-	30,424	Investment properties	30,424	-
11,950	(12,523)	Subsidiaries	-	-
-	(285)	Other assets	(803)	-
<u>(5,176)</u>	<u>38,588</u>		<u>37,992</u>	<u>(17,020)</u>
21. <u>Other Income</u>				
8,210	8,850	Commissions	12,064	9,900
8,068	8,055	Rental income from operating leases	16,616	18,850
-	-	Revenue from sale of goods	46,594	52,386
-	-	Fees from trustee services	70	81
818	139	Miscellaneous income	629	1,634
<u>17,096</u>	<u>17,044</u>		<u>75,973</u>	<u>82,851</u>
22. <u>Policyholders' Benefits</u>				
63,483	90,586	Claims and surrenders	157,530	140,093
800	766	Dividends to participating policyholders	766	800
28,749	44,927	Provision for future policy benefits	48,121	32,735
<u>93,032</u>	<u>136,279</u>		<u>206,417</u>	<u>173,628</u>
23. <u>Other Direct Costs</u>				
20,597	31,025	Commissions	53,293	43,056
1,646	1,746	Policy issue expenses	1,746	1,646
-	-	Depreciation on leased assets (net)	5,589	7,033
-	-	Cost of sales	37,939	42,640
-	-	Other costs	2,905	3,455
<u>22,243</u>	<u>32,771</u>		<u>101,472</u>	<u>97,830</u>
-	-	Direct labour included in other costs	<u>1,096</u>	<u>1,075</u>
-	-	Pension costs included in other direct costs	<u>1,313</u>	<u>1,190</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

Company			Group	
2008	2009		2009	2008
\$'000	\$'000		\$'000	\$'000
24. <u>Expenses of Management</u>				
17,985	19,488	Employee benefits	31,805	29,205
5,690	5,521	Depreciation (net)	7,630	7,953
271	97	Operating leases rentals	182	343
-	-	Bad debts	5,096	2,530
<u>20,445</u>	<u>18,069</u>	Other administrative expenses	<u>36,848</u>	<u>38,696</u>
<u>44,391</u>	<u>43,175</u>		<u>81,561</u>	<u>78,727</u>
<u>521</u>	<u>616</u>	Pension costs included in employee benefits	<u>977</u>	<u>829</u>
25. <u>Taxation</u>				
a) Tax charge for the year				
4,552	3,463	Current year	7,872	8,543
<u>(776)</u>	<u>1,464</u>	Deferred taxation	<u>1,528</u>	<u>(1,359)</u>
<u>3,776</u>	<u>4,927</u>		<u>9,400</u>	<u>7,184</u>
3,950	4,400	Insurance revenue statement	4,400	3,950
<u>(174)</u>	<u>527</u>	Shareholders	<u>5,000</u>	<u>3,234</u>
<u>3,776</u>	<u>4,927</u>		<u>9,400</u>	<u>7,184</u>
b) Reconciliation				
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>8,605</u>	<u>9,673</u>	Surplus before taxation	<u>30,221</u>	<u>16,410</u>
2,151	2,418	Tax at applicable statutory rates	7,555	4,103
(395)	(440)	Effect of different tax rates of life insurance companies	(440)	(395)
2,198	963	Items not subject to tax	(2,950)	4,605
(323)	1,865	Temporary differences	1,947	(286)
-	-	Tax losses	3,355	(991)
<u>145</u>	<u>121</u>	Other	<u>(67)</u>	<u>148</u>
<u>3,776</u>	<u>4,927</u>		<u>9,400</u>	<u>7,184</u>

THE MARITIME FINANCIAL GROUP
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Company			Group	
2008	2009		2009	2008
\$'000	\$'000		\$'000	\$'000
25. <u>Taxation (continued)</u>				
c) Tax losses				
At December 31, 2009 there were unrelieved tax losses in subsidiaries amounting to approximately \$30,773,000 (2008: \$17,700,000) available for set off against future chargeable profits of those companies.				
26. <u>Cash and Cash Equivalents</u>				
4,445	2,127	Cash and bank balances	23,335	16,230
(4,695)	(8,561)	Bank overdraft	(8,567)	(5,349)
<u>196,591</u>	<u>208,821</u>	Short term instruments	<u>325,188</u>	<u>222,823</u>
<u>196,341</u>	<u>202,387</u>		<u>339,956</u>	<u>233,704</u>
27. <u>Capital Commitments</u>				
1,943	1,200	Loans	1,200	1,943
<u>-</u>	<u>-</u>	Property, plant and equipment	<u>-</u>	<u>1,470</u>
<u>1,943</u>	<u>1,200</u>		<u>1,200</u>	<u>3,413</u>
28. <u>Operating Leases</u>				
Future rental income due on non-cancellable operating leases				
7,173	5,919	Up to one year	12,219	17,871
<u>9,385</u>	<u>8,419</u>	Two to three years	<u>10,534</u>	<u>10,791</u>
<u>16,558</u>	<u>14,338</u>		<u>22,753</u>	<u>28,662</u>

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Company			Group	
2008	2009		2009	2008
\$'000	\$'000		\$'000	\$'000
29. <u>Assets Pledged – Statutory Deposit, Statutory Fund and Catastrophe Reserve Fund</u>				
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				
196,567	181,341	Current assets	243,716	257,317
41,854	69,366	Investment in subsidiaries	69,366	41,854
434,571	488,493	Financial assets	553,350	489,228
72,200	87,800	Investment properties	87,800	72,200
<u>130,500</u>	<u>127,500</u>	Owner occupied properties	<u>138,500</u>	<u>130,500</u>
<u>875,692</u>	<u>954,500</u>		<u>1,092,732</u>	<u>991,099</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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NOTES TO THE FINANCIAL STATEMENTS
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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	
2008	2009		2009	2008
\$'000	\$'000		\$'000	\$'000
a) Assets				
51,098	14,793	Short term investments	-	-
589	881	Accrued investment income	-	-
45,012	63,554	Amount due from subsidiaries	-	-
(1,872)	(14,395)	Provisions for doubtful debts	-	-
<u>2,559</u>	<u>2,305</u>	Loans to key management personnel	<u>3,864</u>	<u>4,171</u>
b) Liabilities				
<u>-</u>	<u>-</u>	Key management personnel	<u>738</u>	<u>312</u>
c) Income				
30,814	15,279	Subsidiaries	-	-
-	(12,523)	Provision for doubtful debts	-	-
<u>157</u>	<u>150</u>	Key management personnel	<u>298</u>	<u>388</u>
d) Expenses				
1,288	1,306	Subsidiaries	-	-
<u>-</u>	<u>-</u>	Key management personnel	<u>36</u>	<u>27</u>
e) Key management compensation				
4,182	5,160	Short term benefits	6,964	5,694
179	232	Post employment benefits	286	232
<u>3,166</u>	<u>-</u>	Termination benefits	<u>-</u>	<u>3,166</u>
<u>7,527</u>	<u>5,392</u>		<u>7,250</u>	<u>9,092</u>

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NOTES TO THE FINANCIAL STATEMENTS
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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%	-4.8%
Decrease in interest and expense inflation	-1%	+5.3%
Increase in mortality (life insurance)	+10%	+1.1%
Decrease in mortality (annuities)		
Decrease in mortality (life insurance)	-10%	-1.1%
Increase in mortality (annuities)		
Increase in lapses	+10%	-1.0%
Decrease in lapses	-10%	+1.15%
Increase in expenses	+20%	+7.2%
Decrease in expenses	-20%	-7.1%
Increase in critical illness incidence	+10%	+1.5%
Decrease in critical illness incidence	-10%	-1.3%

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 year-end 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

Underwriting year	2005	2006	2007	2008	2009	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Estimate of cumulative claims						
At end of year	63,155	57,337	59,479	68,461	68,163	316,595
One year later	34,510	52,990	62,278	68,033		
Two years later	55,502	52,767	61,193			
Three years later	57,047	49,952				
Four years later	55,586					
Estimate of cumulative claims	55,586	49,952	61,193	68,033	68,163	302,927
Cumulative payments	<u>(49,577)</u>	<u>(44,766)</u>	<u>(51,476)</u>	<u>(52,840)</u>	<u>(43,001)</u>	<u>(241,660)</u>
Claims outstanding	<u>6,009</u>	<u>5,186</u>	<u>9,717</u>	<u>15,193</u>	<u>25,162</u>	61,267
Liability in respect of prior years						<u>44,906</u>
Total Liability						<u>106,173</u>

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, 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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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:

	2009 \$'000	Group 2008 \$'000
Gross		
Long term insurance	6,398,013	5,947,789
Short term insurance	<u>8,493,851</u>	<u>6,691,187</u>
	<u>14,891,864</u>	<u>12,638,976</u>
Net		
Long term insurance	5,286,194	4,879,630
Short term insurance	<u>3,325,371</u>	<u>3,430,643</u>
	<u>8,611,565</u>	<u>8,310,273</u>

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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, licensed 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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
FOR THE YEAR ENDED DECEMBER 31, 2009

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:

Company			Group	
2008	2009		2009	2008
\$'000	\$'000		\$'000	\$'000
<u>670,379</u>	<u>708,444</u>	Maximum exposure to credit risk	<u>1,055,527</u>	<u>986,800</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 reporting date to the contractual maturity date, except for insurance contracts liabilities which are analysed by estimated timings:

THE MARITIME FINANCIAL GROUP
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NOTES TO THE FINANCIAL STATEMENTS
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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 2009 Over five years \$'000	Undated \$'000	Total \$'000
Assets					
Liquid assets	348,523	-	-	-	348,523
Financial assets	78,692	212,895	326,076	112,625	730,288
Other assets	<u>128,266</u>	<u>-</u>	<u>-</u>	<u>330,449</u>	<u>458,715</u>
	<u>555,481</u>	<u>212,895</u>	<u>326,076</u>	<u>443,074</u>	<u>1,537,526</u>
Liabilities					
Bank overdraft	8,567	-	-	-	8,567
Insurance contracts	190,937	(6,809)	827,823	132,296	1,144,247
Other liabilities	<u>127,819</u>	<u>20,951</u>	<u>-</u>	<u>1,882</u>	<u>150,652</u>
	<u>327,323</u>	<u>14,142</u>	<u>827,823</u>	<u>134,178</u>	<u>1,303,466</u>
Net gap	<u>228,158</u>	<u>198,753</u>	<u>(501,747)</u>	<u>308,896</u>	<u>234,060</u>
Cumulative gap	<u>228,158</u>	<u>426,911</u>	<u>(74,836)</u>	<u>234,060</u>	

	Up to one year \$'000	Two to five years \$'000	Group 2008 Over five years \$'000	Undated \$'000	Total \$'000
Assets					
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>
Liabilities					
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>
Net gap	<u>221,201</u>	<u>141,027</u>	<u>(432,265)</u>	<u>281,810</u>	<u>211,773</u>
Cumulative gap	<u>221,201</u>	<u>362,228</u>	<u>(70,037)</u>	<u>211,773</u>	

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

c) Liquidity risk (continued)

iii) Liquidity gap (continued)

	Company 2009				
	Up to one year \$'000	Two to five years \$'000	Over five years \$'000	Undated \$'000	Total \$'000
Assets					
Liquid assets	210,948	-	-	-	210,948
Financial assets	13,451	106,882	284,665	109,793	514,791
Other assets	<u>96,025</u>	<u>-</u>	<u>-</u>	<u>312,240</u>	<u>408,265</u>
	<u>320,424</u>	<u>106,882</u>	<u>284,665</u>	<u>422,033</u>	<u>1,134,004</u>
Liabilities					
Bank overdraft	8,561	-	-	-	8,561
Insurance contracts	(6,035)	(6,990)	827,823	132,296	947,094
Other liabilities	<u>46,023</u>	<u>-</u>	<u>-</u>	<u>1,882</u>	<u>47,905</u>
	<u>48,549</u>	<u>(6,990)</u>	<u>827,823</u>	<u>134,178</u>	<u>1,003,560</u>
Net gap	<u>271,875</u>	<u>113,872</u>	<u>(543,158)</u>	<u>287,855</u>	<u>130,444</u>
Cumulative gap	<u>271,875</u>	<u>385,747</u>	<u>(157,411)</u>	<u>130,444</u>	
	Company 2008				
	Up to one year \$'000	Two to five years \$'000	Over five years \$'000	Undated \$'000	Total \$'000
Assets					
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>
Liabilities					
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>
Net gap	<u>296,952</u>	<u>35,309</u>	<u>(472,096)</u>	<u>264,067</u>	<u>124,232</u>
Cumulative gap	<u>296,952</u>	<u>332,261</u>	<u>(139,835)</u>	<u>124,232</u>	

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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			Group	
2008	2009		2009	2008
\$'000	\$'000	Net Foreign Currency Assets	\$'000	\$'000
<u>120,204</u>	<u>133,023</u>	United States Dollars	<u>195,475</u>	<u>182,601</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 profit or loss.

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

f) Interest rate risk (continued)

vi) Interest rate sensitivity gap (continued)

	Group 2009			Non-Interest bearing	Total
	Up to one year \$'000	Two to five years \$'000	Over five years \$'000	\$'000	\$'000
Assets					
Liquid assets	348,523	-	-	-	348,523
Financial assets	194,830	151,048	315,442	68,968	730,288
Other assets	-	-	-	458,715	458,715
	<u>543,353</u>	<u>151,048</u>	<u>315,442</u>	<u>527,683</u>	<u>1,537,526</u>
Liabilities					
Bank overdraft	8,567	-	-	-	8,567
Insurance contracts	459,594	-	365,918	318,735	1,144,247
Other liabilities	42,771	17,634	-	90,247	150,652
	<u>510,932</u>	<u>17,634</u>	<u>365,918</u>	<u>408,982</u>	<u>1,303,466</u>
Net gap	<u>32,421</u>	<u>133,414</u>	<u>(50,476)</u>	<u>118,701</u>	<u>234,060</u>
Cumulative gap	<u>32,421</u>	<u>165,835</u>	<u>115,359</u>	<u>234,060</u>	
			Group 2008		
	Up to one year \$'000	Two to five years \$'000	Over five years \$'000	Non-Interest bearing \$'000	Total \$'000
Assets					
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>
Liabilities					
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>
Net gap	<u>45,759</u>	<u>115,079</u>	<u>(41,467)</u>	<u>92,402</u>	<u>211,773</u>
Cumulative gap	<u>45,759</u>	<u>160,838</u>	<u>119,371</u>	<u>211,773</u>	

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

33. Financial Risk (continued)

f) Interest rate risk (continued)

vi) Interest rate sensitivity gap (continued)

	Company 2009			Non-Interest bearing	Total
	Up to one year \$'000	Two to five years \$'000	Over five years \$'000	\$'000	\$'000
Assets					
Liquid assets	210,948	-	-	-	210,948
Financial assets	125,972	49,839	272,844	66,136	514,791
Other assets	-	-	-	408,265	408,265
	<u>336,920</u>	<u>49,839</u>	<u>272,844</u>	<u>474,401</u>	<u>1,134,004</u>
Liabilities					
Bank overdraft	8,561	-	-	-	8,561
Insurance contracts	459,594	-	365,918	121,582	947,094
Other liabilities	-	-	-	47,905	47,905
	<u>468,155</u>	<u>-</u>	<u>365,918</u>	<u>169,487</u>	<u>1,003,560</u>
Net gap	<u>(131,235)</u>	<u>49,839</u>	<u>(93,074)</u>	<u>304,914</u>	<u>130,444</u>
Cumulative gap	<u>(131,235)</u>	<u>(81,396)</u>	<u>(174,470)</u>	<u>130,444</u>	
	Company 2008				
	Up to one year \$'000	Two to five years \$'000	Over five years \$'000	Non-Interest bearing \$'000	Total \$'000
Assets					
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>
Liabilities					
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>
Net gap	<u>(74,262)</u>	<u>2,182</u>	<u>(70,235)</u>	<u>266,547</u>	<u>124,232</u>
Cumulative gap	<u>(74,262)</u>	<u>(72,080)</u>	<u>(142,315)</u>	<u>124,232</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:

Company			Group	
2008	2009		2009	2008
\$'000	\$'000	Investments in Equity Instruments	\$'000	\$'000
53,350	65,533	At fair value through profit or loss	68,365	56,097
603	603	Available for sale	603	13,149
<u>54,535</u>	<u>71,135</u>	Subsidiaries	<u>-</u>	<u>-</u>
<u>108,488</u>	<u>137,271</u>		<u>68,968</u>	<u>69,246</u>

ii) Commodity price risk

The Group is not exposed to commodity price risk.

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NOTES TO THE FINANCIAL STATEMENTS
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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, 2009.

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 2008.

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, 2009 (2008: 22¢ per share). This dividend, amounting to \$2,391,705 is not recorded as a liability in the statement of financial position in accordance with International Accounting Standard 10.

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		Group	
	Place of incorporation	2009 % shareholding	2008 % shareholding
38. <u>Subsidiaries</u>			
Balandra by the Bay 1 Limited Land development	Republic of Trinidad and Tobago	100	-
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