Separate Financial Statements of

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

December 31, 2009

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

December 31, 2009

Contents

Actuarial Certification pursuant to the Insurance Act of the Republic of Trinidad and Tobago

This actuarial certificate and opinion is provided in accordance with the requirements of the Insurance Act with respect to the long-term insurance business registered in Colonial Life Insurance Company (Trinidad) Limited ("the Company") as at December 31, 2009.

I have examined the financial position and valued the policy benefit liabilities of the Company for its balance sheet as at December 31, 2009 and the corresponding change in the policy liabilities in the revenue account for the year then ended. I meet the appropriate qualification standards and am familiar with the valuation and capital adequacy requirements applicable to life insurance companies in Trinidad and Tobago.

In my opinion:

- The methods and procedures used in the verification of the valuation data are sufficient and reliable and fulfill the acceptable standards of care;
- The valuation of policy liabilities has been made in accordance with generally accepted actuarial principles with such changes as determined and directions made by the Insurance (Caribbean Policy Premium Method) Regulations;
- The methods and assumptions used to calculate the consolidated actuarial and other policy liabilities are appropriate to the circumstances of the Company and of the said policies and claims;
- The policy liabilities represented in the balance sheet of the Company amounting to $TT 18,196,221,000 makes proper provision for the future payments under the companies policies and meets the requirements of the Act and any other Regulations made there-under; and
- A proper charge on account of these liabilities has been made in the revenue account.

Paul Ngai

Paul Ngai
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries
Principal & Consulting Actuary
Prescience Insurance Consultants & Actuaries

August 31, 2011
Date

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Independent Auditors' Report
To the shareholders of
Colonial Life Insurance Company (Trinidad) Limited

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of Colonial Life Insurance Company (Trinidad) Limited (the Company), which comprise the separate statement of financial position as at December 31, 2009 and the separate 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. The separate financial statements of the Company as at December 31, 2008, were audited by other auditors whose report dated December 28, 2009 expressed an unqualified opinion on those statements.

Management's responsibility for the Separate financial statements

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

Auditors' responsibility

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

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

KPMG, a Trinidad and Tobago partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

R R Alleyne S N Golding
C S Hornby D S Sookram

KPMG

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

Basis for Qualified Opinion

Related Party disclosures

We were unable to verify by alternative means the completeness of related party disclosures for the corresponding years ended December 31, 2008 and December 31, 2007 due to systems used to identify related parties in those years. Accordingly, we were not able to determine whether any adjustments might be necessary to the amounts shown in the financial statements for related party balances and transactions as at and for the years ended December 31, 2008 and December 31, 2007.

Guarantees

A number of guarantee contracts have been entered into on behalf of the Company. Management was unable to provide the appropriate assurances that all guarantees have been identified and recorded or disclosed in the separate financial statements. We were unable to verify by alternative means the existence, type, amounts and terms of all guarantee contracts. Accordingly, we were not able to determine whether any adjustments might be necessary to the amounts shown in the financial statements for guarantees recorded and disclosed, provisions and contingent liabilities, as at and for the year ended December 31, 2009.

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary to related party disclosures, guarantees, provisions and contingent liabilities had we been able to satisfy ourselves with respect to the matters described in the Basis for Qualified Opinion paragraph, the separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2009 and of its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards .

Emphasis of Matter

Without qualifying our opinion, we draw attention to:

Note 1 to the separate financial statements which describes the amendment to the Central Bank Act that was passed by the Parliament of Trinidad and Tobago and its implications for the Company.

Note 2(b) to the separate financial statements which indicates that these financial statements have been prepared on the assumption that the Company is a going concern and will continue to operate for the foreseeable future. This assumption is based on the assurances provided by the Government of the Republic of Trinidad and Tobago (GORTT), financial advances made pursuant to such assurances and the establishment of rescue plan to address a significant portion of the Company's liabilities. Note 40 to the separate financial statements which describe the rescue plan established by GORTT to address a significant portion of the Company's liabilities.

The corresponding figures presented, excluding the adjustments described in Note 44 to the separate financial statements, are based on the separate financial statements of the Company as at and for the year ended December 31, 2008 and 2007, which were audited by other auditors. As part of our audit we have audited the adjustments described in Note 44 that were applied to restate the corresponding figures. In our opinion, such adjustments are appropriate and have been properly applied.

KPMG

Chartered Accountants

January 6, 2012
Port of Spain
Trinidad and Tobago

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Separate Statement of Financial Position

December 31, 2009

	Notes	2009	Restated 2008	Restated 2007
		$'000	$'000	$'000
ASSETS				
Property, plant and equipment	6	412,348	447,558	465,802
Investment properties	7	341,580	347,077	392,679
Investment in associates	8	4,835,785	9,954,768	10,044,664
Investment in subsidiaries	9	5,183,000	187,262	153,782
Investment securities	10	1,306,528	2,715,577	3,827,409
Due from related parties	11	2,249,725	3,877,582	1,622,258
Loans and other receivables	12	310,700	305,276	837,624
Retirement benefit	35	76,811	49,218	57,370
Taxation recoverable		13,314	13,100	-
Bank and short-term deposits	13	336,981	618,671	4,697,795
Total assets		15,066,772	18,516,089	22,099,383
EQUITY				
Share capital	14	14,750	7,500	7,500
Accumulated deficit		(15,504,444)	(10,731,357)	(1,320,517)
Valuation reserves	15	5,980,904	6,211,395	6,624,664
Net (deficit) equity		(9,508,790)	(4,512,462)	5,311,647
LIABILITIES				
Insurance contracts	16	5,518,861	4,937,721	2,562,764
Investment contracts	17	12,742,614	13,851,178	11,085,141
Borrowings	18	347,071	192,995	197,703
Debt securities issued	19	1,892,779	-	-
Bank overdraft and short-term borrowings	20	429,302	2,135,467	1,912,035
Due to related parties	21	1,950,941	241,398	211,314
Mutual fund obligation	22	1,481,248	1,389,163	673,810
Trade and accounts payable	23	190,860	258,194	95,217
Deferred taxation	24	21,886	22,435	46,742
Taxation payable		-	-	3,010
Total liabilities		24,575,562	23,028,551	16,787,736
Total equity and liabilities		15,066,772	18,516,089	22,099,383

The accompanying notes form an integral part of these separate financial statements.

Director ____________________ Director ____________________

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Separate Statement of Comprehensive Income

For the year ended December 31, 2009

	Notes	2009	Restated 2008
		$'000	$'000
Insurance premium revenue		795,218	695,190
Insurance premium ceded to reinsurers		(6,109)	(11,152)
Net insurance premium revenue	25	789,109	684,038
Insurance benefits and claims	26	(338,434)	(281,794)
Expenses for the acquisition of insurance and investment contracts		(147,612)	(218,071)
Change in value of insurance contracts		(581,140)	(2,374,957)
Underwriting expenses		(1,067,186)	(2,874,822)
Net results from insurance activities		**(278,077)**	**(2,190,784)**
Investment income	27	368,021	558,163
Net fair value loss on assets at fair value through profit or loss	28	(15,522)	(13,669)
Gain on trading managed fund units		72,215	16,826
Administration and asset management fees		3,683	6,686
Guarantee fee, net		(10,362)	5,259
Impairment losses	29	(3,117,549)	(6,099,298)
Other income		1,724	18,018
Net results from investing activities		**(2,697,790)**	**(5,508,015)**
Expenses for marketing and administration	30	(202,389)	(385,052)
Investment contract expenses	31	(1,315,644)	(1,120,183)
Revaluation loss on managed fund liability		(8,060)	(43,721)
Operating expenses		**(1,526,093)**	**(1,548,956)**
Results of operating activities		**(4,501,960)**	**(9,247,755)**
Finance costs	32	(225,441)	(222,256)
Operating loss before tax		(4,727,401)	(9,470,011)
Taxation	33	(6,898)	(38,479)
Loss from continuing operations		(4,734,299)	(9,508,490)
Net loss on discontinued operations	36	(38,788)	-
Loss for the year attributable to equity holders		**(4,773,087)**	**(9,508,490)**

The accompanying notes form an integral part of these separate financial statements.

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Separate Statement of Comprehensive Income (continued)

For the year ended December 31, 2009

	Notes	2009	Restated 2008
		$'000	$'000
Loss for the year		(4,773,087)	(9,508,490)
Other Comprehensive income, net of tax			
Available for sale financial assets		(93,738)	(396,594)
Shareholders' units held in Managed Fund		(166,384)	18,740
Revaluation of property, plant and equipment		6,471	36,165
Total comprehensive income, net of tax		(5,026,738)	(9,850,179)

The accompanying notes form an integral part of these separate financial statements.

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Separate Changes in Equity

For the year ended December 31, 2009

	Note	Share Capital $'000	Accumulated Deficit $'000	Valuation Reserves $'000	Total $'000
Year ended December 31, 2008					
Balance at December 31, 2007, as previously reported		7,500	432,098	5,863,982	6,303,580
Prior year adjustment	38	-	(1,752,615)	760,682	(991,933)
Balance at December 31, 2007, as restated		7,500	(1,320,517)	6,624,664	5,311,647
Loss for the year		-	(9,508,490)	-	(9,508,490)
Reclassification of changes to policyholders' reserves		-	97,650	(97,650)	-
Other comprehensive income, net of tax					
Revaluation loss on available-for-sale financial assets		-	-	(360,429)	(360,429)
Gains transferred to the statement of comprehensive income on disposal		-	-	749	749
Unrealised gain on investments		-	-	25,321	25,321
Total comprehensive income		-	-	(334,359)	(334,359)
Transactions with owners, recorded directly into equity					
Change in trustee's units held in Managed Fund		-	-	18,740	18,740
Closing balance at December 31, 2008, as restated		7,500	(10,731,357)	6,211,395	(4,512,462)
Year Ended December 31, 2009					
Balance at December 31, 2008, as restated		7,500	(10,731,357)	6,211,395	(4,512,462)
Loss for the year		-	(4,773,087)	-	(4,773,087)
Other comprehensive income, net of tax					
Revaluation loss on available-for-sale financial assets		-	-	(188,499)	(188,499)
Unrealised gain on investments		-	-	2,725	2,725
Total comprehensive income		-	-	(185,774)	(185,774)
Transactions with owners, recorded directly into equity					
Shares issued		7,250	-	-	7,250
Change in trustee's units held in Managed Fund		-	-	(44,717)	(44,717)
Closing balance at December 31, 2009		14,750	(15,504,444)	5,980,904	(9,508,790)

The accompanying notes form an integral part of these separate financial statements.

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Separate Statement of Cash Flows

For the year ended December 31, 2009

	2009	Restated 2008
	$'000	**$'000**
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(4,727,401)	(9,470,011)
Adjustments for:		
Depreciation	27,685	31,352
Exchange losses (gains) on translation of non-monetary assets	11,286	(379)
Net fair value loss (gain) on assets at fair value through profit or loss	(9,178)	13,669
Loss on sale of property, plant and equipment	6,299	58
Gain on sale of available for sale assets	160,140	(22,245)
Change in provision for mutual fund obligation	92,085	715,353
Impairment of assets	3,117,549	6,099,298
Loss on discontinued operations	(38,788)	-
Gain on trading Managed Fund units	(72,215)	(16,826)
Loss on revaluation of property, plant and equipment	24,273	-
Effect of EFPA reclassification	1,214,964	1,020,268
Shareholders' funds transferred from Managed Fund	(44,717)	18,740
	(238,018)	(1,610,723)
Change in insurance contracts	581,140	2,374,957
Change in investment contracts	(2,323,528)	1,745,769
Change in loans and receivables	(70,670)	235,877
Change in retirement benefit asset	(27,593)	8,152
Change in trade and account payables	(67,334)	162,977
Change in amounts due from related parties	(361,346)	(7,098,501)
Change in amounts due to related parties	1,709,543	30,084
Taxes paid	(7,661)	(78,896)
Net cash used in operating activities	(805,467)	(4,230,304)
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of share capital	7,250	-
Proceeds (net) from borrowings	153,274	(4,708)
Issue of debt securities	1,892,779	-
Net cash provided by (used in) financing activities	2,053,303	(4,708)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(29,305)	(17,339)
Proceeds from sale of property, plant and equipment	2,576	276
Purchase of investment properties	(2,875)	(11,788)
Change in investment securities	206,243	(38,693)
Change in fixed deposits maturing more than 3 months	10,213	1,723,665
Net cash provided by investing activities	186,852	1,656,121
Movement in cash and cash equivalents	1,434,688	(2,578,891)

Separate Statement of Cash Flows (continued)

For the year ended December 31, 2009

	2009	Restated 2008
	$'000	$'000
Movement in cash and cash equivalents	1,434,688	(2,578,891)
CASH AND CASH EQUIVALENTS AT START OF YEAR	(1,532,377)	1,046,514
CASH AND CASH EQUIVALENTS AT END OF YEAR	(97,689)	(1,532,377)
CASH AND CASH EQUIVALENTS REPRESENTED BY		
Deposits maturing less than three months	197,153	271,665
Cash at bank	134,460	331,425
Bank overdrafts and short-term borrowings	(429,302)	(2,135,467)
	(97,689)	(1,532,377)

The accompanying notes form an integral part of these separate financial statements.

1. General Information

Colonial Life Insurance Company (Trinidad) Limited (the Company) is incorporated in the Republic of Trinidad and Tobago and carries on long term, group and annuity business for customers inside and outside of Trinidad and Tobago.

At the December 31, 2008 the Company was a wholly owned subsidiary of CL Financial Limited (the Parent), which is also incorporated in the Republic of Trinidad & Tobago. The registered offices of the Company and the former parent are located at 29 St Vincent Street, Port of Spain. On September 10, 2009 the Government of the Republic of Trinidad and Tobago (GORTT) injected additional capital into the Company by the acquisition of ordinary shares and preference shares. This transaction resulted in GORTT's ownership of 49% of the share capital of the company.

Effective January 30, 2009, the Central Bank of Trinidad and Tobago (CBTT) assumed control of the Company pursuant to the exercise of its emergency powers under section 44D of the Central Bank Act.

On September 17, 2011 the Parliament of Trinidad and Tobago passed the Central Bank (Amendment) Bill 2011. This amendment, which is to apply to all institutions subject to emergency State intervention, describes the process to stay all legal actions against the Company whilst it operates under the provisions of Section 44(D) of the Central Bank Act. The Bill instructs that the stay continues to apply once the Court is satisfied that it is necessary in so far as any legal action against the Company constitutes a risk to the national good. Consequently all matters against the company have been stayed.

These financial statements are separate as the Company also prepares consolidated financial statements in accordance with IAS 27 – Consolidated and Separate Financial Statements.

These separate financial statements were approved for issue on January 6, 2012 by the Board of Directors of the Company.

2. Basis of preparation

(a) Statement of compliance

The separate financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

2. Basis of preparation (continued)

(b) Basis of measurement

The separate financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, investment properties and financial assets and financial liabilities at fair value through profit or loss.

These financial statements have been prepared on the assumption that the Company is a going concern and will continue in operation for the foreseeable future. This assumption is based on the assurances provided by the GORTT, financial advances made pursuant to such assurances and the establishment of rescue plan to address a significant portion of the Company's liabilities (see Note 40).

(c) Functional and presentation currency

The separate financial statements are presented in Trinidad and Tobago dollars, which is the Company's functional and presentation currency. Except as otherwise indicated, financial information presented in Trinidad and Tobago dollars has been rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of the separate financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual amounts may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the separate financial statements are described in Note 4.

2. Basis of preparation (continued)

(e) Change in accounting policies

(i) Overview

Effective January 1, 2009 the Company changed its accounting policies in the following areas:

- Determination and presentation of operating segments
- Disclosures relating to financial instruments
- Presentation of financial statements
- Presentation and classification of investment contracts.

(ii) Determination and presentation of operating segments

IFRS 8, Operating Segments became effective for annual periods beginning on or after January 1, 2009. This standard supersedes IAS 14 Segment Reporting. It requires the disclosure of quantitative information pertaining to the performance and management of business segments as internally identified and managed. The Company operates as a single reporting segment.

(iii) Disclosures relating to financial instruments

IFRS 7, Financial Instruments: Disclosures. Amendments to IFRS 7 were issued in March 2009 and became effective for annual periods beginning on or after January 1, 2009. These amendments sought to improve disclosures relating to financial instruments. The amendments require that fair value measurements use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorised as level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require separate disclosure for any significant transfers between Level 1 and Level 2 of the fair value hierarchy, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including reasons therefore, are required to be disclosed for each class of financial instruments.

Further, the definition of liquidity risk has been amended and is now defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

2. Basis of preparation (continued)

(e) Change in accounting policies (continued)

(iii) Disclosures relating to financial instruments (continued)

The amendments require disclosure of a maturity analysis for non-derivative and derivative financial liabilities, but contractual maturities are required to be disclosed for derivative financial liabilities only when contractual maturities are essential for an understanding of the timing of cash flows. For issued financial guarantee contracts, the amendments require the maximum amount of the guarantee to be disclosed in the earliest period in which the guarantee can be called.

These standards and amendments were applied in preparing these financial statements and affect mainly the disclosures and are reflected in Notes 4.4 and 5.3.

IFRIC 9 and IAS 39, amendments issued in March 2009 became effective for annual periods beginning on or after June 30, 2009. These amendments relate to the treatment of embedded derivatives in host contracts. These amendments have not been applied in preparing these financial statements as they are not expected to have a significant effect on the financial statements.

IFRIC 18, Transfer of assets from customers – provides guidance relating to the accounting for dissimilar assets received from customers for the provision goods or services. This interpretation became affective for annual periods beginning on or after July 1, 2009. This interpretation has not been applied in preparing these financial statements as they are not expected to have a significant effect on the financial statements.

(iv) Presentation of financial statements

IAS 1, Presentation of Financial Statements – Revised became effective for annual periods beginning on or after January 1, 2009. The revised standard required all non-owner changes in equity to be presented in the statement of comprehensive income, whereas, all owner changes in equity be presented in the statement of changes in equity.

2. Basis of preparation (continued)

(e) Change in accounting policies (continued)

(v) Presentation and classification of investment contracts

The classification of certain insurance products was changed to reflect the requirement of IFRS 4 which has been effective since 2005.

In the prior years the Company issued the Executive Flexible Premium Annuity II (EFPA II) to individuals and to corporations. The Group Advanced Contract (GAP) and the Guaranteed Annuity Advanced Performance Policy (GAAPP) are issued to corporations only. These contracts were classified as insurance contracts.

The classification of these products as insurance contracts required premiums and claims to be recorded in the income statement. If these contracts were classified as investment contracts these amounts would have been recorded on the statement of financial position.

Management has decided that these contracts do not meet the criteria set out by IFRS 4. Therefore it is appropriate for them to be classified as investment contracts. The impact of this reclassification is described in Notes 38 and 44.

3. Significant Accounting Policies

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

(a) Foreign currency translation

Transactions and balances

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

Translation differences on non-monetary assets and liabilities, such as investments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in the valuation reserve in equity.

3. **Significant Accounting Policies** (continued)

(b) ***Property, plant and equipment***

Land and buildings comprise mainly agency outlets and offices occupied by the Company. Land and buildings are shown at fair value, based on periodic, but at least triennial valuations by external independent appraisers, carried out at varying dates during the triennium less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Valuations are made on the basis of current prices on an active market. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items.

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

Increases in the carrying amount on revaluation of land and buildings are credited to valuation reserves in the shareholders' equity. Decreases that offset previous increases of the same asset are charged against those reserves; all other decreases are charged to profit or loss.

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

	Method	**Rate**
Buildings	Reducing balance	2%
Furniture, fixtures and office equipment	Reducing balance	10-20%
Motor vehicles	Reducing balance	20%
Computer equipment		
- Mainframe	Reducing balance	20%
- Peripherals	Reducing balance	20%

The assets residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

Where the carrying amount of an asset is greater that its estimated recoverable amount, it is written down to its recoverable amount.

3. Significant Accounting Policies (continued)

(b) Property, plant and equipment (continued)

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts. These are included in the statement of comprehensive income. When revalued assets are sold, the amounts included in the valuation reserve are transferred to other comprehensive income.

(c) Investment properties

Properties that are not occupied by the Company and held for long-term rental yields and/or capital appreciation are classified as investment properties.

Investment properties principally comprising office buildings are carried at fair value and changes in fair value are recorded in statement of comprehensive income. Fair value is based on current prices on an active market for all properties. These valuations are done annually by the Company's management and reviewed triennially by independent professionally qualified appraisers.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in statement of changes in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the statement of comprehensive income. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the statement of comprehensive income.

(d) Investments in subsidiaries and associates

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

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

3. Significant Accounting Policies (continued)

(d) Investments in subsidiaries and associates (continued)

Investments in quoted subsidiaries and associated companies are classified as available-for-sale under IAS 39 and are stated at fair value based on quoted closing market prices.

Investments in unquoted subsidiaries and associated companies are classified as available-for-sale under IAS 39 and are stated at fair value using valuation techniques and allowance for impairment.

(e) Financial assets and liabilities

Financial instruments carried on the statement of financial position include cash resources, investments, loans, due from related parties, other assets, policyholders' liabilities, debt security in issue, other liabilities and due to related parties. The standard treatment for recognition, derecognition, classification and measurement of the Company's financial instruments are noted below in notes (i) – (iv), whilst, additional information on specific categories of the company's financial instruments are discussed in Notes 3(f) – 3(h) and 3(m) - 3(q).

(i) Recognition

The Company initially recognises loans and policy holder's laibilities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

(ii) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by The Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

3. Significant Accounting Policies (continued)

(e) Financial assets and liabilities (continued)

(ii) Derecognition (continued)

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

(iii) Classification

The Company classifies its financial assets into the following categories: financial assets at fair value through profit and loss; loans and receivables and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held-for-trading and those designated at fair value through profit or loss at inception.

A financial asset is classified into the 'financial assets at fair value through profit or loss' category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit-taking, or if so designated by management.

Financial assets designated as at fair value through profit or loss at inception are those that are held in internal funds to back investment contract liabilities that are valued based on changes in the fair value of these assets and whose performance is evaluated on a fair value basis.

Assets held for the Managed Fund (Note 17) are designated as financial assets at fair value through profit or loss. The Company does not hold any assets held-for-trading.

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the statement of comprehensive income in the period in which they arise.

3. **Significant Accounting Policies** (continued)

(e) ***Financial assets and liabilities*** (continued)

(iii) *Classification* (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money or services directly to a debtor with no intention of trading the receivable.

A provision for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms (see Note 3(f)). Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

(iv) *Measurement*

Financial instruments are measured initially at cost, including transaction costs.

Subsequent to initial recognition all financial assets at fair value through profit and loss and available-for-sale assets are measured at fair value, based on their quoted market price at the date of the statement of financial position without any deduction for transaction costs. Where the instrument is not actively traded or quoted on recognised exchanges, fair value is determined using discounted cash flow analysis. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the date of the statement of financial position for an instrument with similar terms and conditions.

Any available-for-sale asset that does not have a quoted market price in an active market and where fair value cannot be reliably measured, is stated at cost, including transaction costs, less impairment losses.

3. **Significant Accounting Policies** (continued)

(e) ***Financial assets and liabilities*** (continued)

(iv) *Measurement* (continued)

Gains and losses arising from the change in the fair value of available-for-sale investments subsequent to initial recognition are accounted for as changes in the investment revaluation reserve.

Gains and losses, both realised and unrealised, arising from the change in the financial assets at fair value through profit and loss are reported in other income.

All non-trading financial liabilities and originated loans and receivables are measured at amortised costs less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(v) *Fair values of financial assets and liabilities*

The fair value of financial assets and financial liabilities are determined as follows:

i. The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

ii. The fair value of other financial assets and liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The financial statements include holdings in unquoted shares which are measured at fair value (Note 8 to 10). Fair value is estimated using a discounted cash flow model, which includes some assumptions which are not supportable by observable market prices or rates. In determining the fair value, risk adjusted discount factors of between - 20% and 15% were used.

3. Significant Accounting Policies (continued)

(f) Impairment of assets

i) Financial assets carried at amortised cost

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

i. Significant difficulty of the issuer or debtor;

ii. A breach of contract, such as a default or delinquency in payments;

iii. It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;

iv. The disappearance of an active market for that financial asset because of financial difficulties; or

vi. Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:

   a. adverse changes in the payment status of issuers or debtors in the Company; or
   b. national or local economic conditions that correlate with defaults on the assets in the Company.

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

3. Significant Accounting Policies (continued)

(f) Impairment of assets (continued)

i) Financial assets carried at amortised cost (continued)

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

ii) Financial assets carried at fair value

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

iii) Impairment of non-financial assets

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

3. Significant Accounting Policies (continued)

(g) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, investments in money market instruments and other short term highly liquid investments with original maturities of three months or less, net of bank overdrafts.

(h) Insurance and investment contracts – classification

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

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

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

(i) Insurance contracts

1) Recognition and measurement

The Company issues insurance contracts that can be classified into two main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

Long term insurance contracts

These contracts insure events associated with human life (for example death, or survival) over a long duration. They include the following:

i. Ordinary Life contracts – These contracts provide payment of a known sum in the event of the death of the policyholder. The main risk is the premature death of the policyholder. The Company takes on this risk by paying the sum assured on death in return for a premium.

ii. Critical Illness contracts – These contracts provide payment of the sum insured upon diagnosis of one of the critical illnesses specified in the contract. The main risk is the premature diagnosis of the specific critical illness. The Company takes on the risk by paying the sum insured in return for a premium.

3. Significant Accounting Policies (continued)

(i) Insurance contracts (continued)

1) Recognition and measurement (continued)

Long term insurance contracts (continued)

iii. Individual and Group Annuity contracts – These include deferred or immediate annuity contracts. These contracts provide for payment of a regular income upon maturity of the contract in the case of deferred annuities and for immediate commencement of payments in the case of an immediate annuity. The main risk is the policyholder outliving the life expectancy adopted for underwriting the policies. The Company takes on this risk by providing an income to the policyholder while alive in return for an insurance premium.

Long-term insurance premium income is accounted for in the statement of comprehensive income on the accruals basis. Premiums are shown before the deduction of commissions.

Benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the future contractual premiums (if any). In order to determine the liability, assumptions deemed appropriate by the Actuary, are made in respect of mortality, persistency, maintenance expenses and investment income that may occur over the future lifetime of a contract. A margin for adverse deviations is included in the assumptions.

The liabilities are recalculated at each reporting date using the assumptions established at that date.

Short term insurance contracts

These contracts are short-duration life insurance contracts that are issued to employers which insure against the consequences of the death of employees that would affect the ability of his/her dependants to maintain their current level of income. These contracts are renewable annually. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

3. Significant Accounting Policies (continued)

(i) Insurance contracts (continued)

1) Recognition and measurement (continued)

Short term insurance contracts (continued)

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

Benefits are recorded as an expense when they are incurred. Liabilities are estimated using the unearned premium approximation. This approximation is checked for reasonableness against the claims and expense experience of the group of contracts.

Provisions for unearned premiums represent the proportions of short-term insurance premiums written in the year, which relate to periods of insurance subsequent to the reporting date and are computed on a pro-rata basis.

The provision for unexpired risks represents amounts set aside at the year-end, in addition to unearned premiums, in respect of subsequent risks to be borne by the Company under contracts of short-term insurance in force at the year-end.

2) Liability adequacy test

The Company assesses at each reporting date whether the Company's recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts.

Current best estimates of future contractual cash flows, claims handling, administration expenses, as well as investment income from the assets backing such liabilities are all used to perform the annual actuarial valuation of the Company's long term insurance liability. As such no separate liability adequacy test is required. Details of the assumptions adopted in this valuation are disclosed in Note 16.2.

3) Outstanding claims

Provisions for outstanding claims and the related costs of settlement are based on incidents reported before the end of the financial year and include appropriate provisions for claims incurred but not yet reported. Estimates are continually revised as more information becomes available and for the effects of anticipated inflation. Adjustments arising on these revisions are included with claims expense in the current year.

3. Significant Accounting Policies (continued)

(i) Insurance contracts (continued)

4) Receivables and payables related to insurance contracts

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

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

5) Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

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

The Company assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated following the same method used for these financial assets.

3. Significant Accounting Policies (continued)

(j) Investment contracts

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Any contracts not recognised as insurance contracts under IFRS 4 are classified as investment contracts. The Company has investment contracts classified as deposit administration contracts and managed fund.

Deposit administration business

These are investment vehicles issued by the Company to registered pension schemes and used for accumulating retirement benefits for employees of a Company. The funds are normally used to purchase immediate annuities for the employees upon retirement.

Deposit administration contributions are recorded directly as liabilities. Withdrawals are deducted directly from the liability.

The interest or investment return provided is recorded as 'investment contract expenses'.

Managed Fund Business

The managed fund is a unit fund which is sold to pension plans. The pension plans' funds as well as their subsequent net inflows/outflows of contributions, benefits and expenses are used to purchase/sell units in the managed fund. The proceeds from units purchased by the policyholders are invested in specific investments, which are pooled, and the policyholders bear the investment risk. A valuation of the investment portfolio ascertaining the fair value of the assets and investment income earned is performed each month to determine the offer and bid prices of the units. The Company acts as a facilitator for the trading of units and can be the holder of units at any valuation date. These units are kept as a reserve, the value of which are separated from the policyholders' units and credited to shareholders' equity. Administration and investment management fees are charged to the policyholders for services provided by the Company.

(k) Borrowings

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

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the statement of income as interest expense.

3. Significant Accounting Policies (continued)

(l) Current and deferred income tax

Corporation tax on long-term business (other than approved annuity business) is charged annually at 15% on investment income derived from the investment of the Statutory Fund less allowable investment expenses in relation thereto. The profits of approved annuity business are not chargeable to tax except to the extent that such profits are distributed to shareholders. Corporation tax is also due at the rate of 25% on profits of long-term insurance business and non-insurance business transferred to the account of shareholders.

Deferred income tax is provided in full, using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

(m) Employee benefits

Pension obligations

The Company operates a defined benefit plan, the assets of which are held in a self-administered managed fund. The pension plan is generally funded by payments from employees and by the Company, taking account of the recommendations of independent qualified actuaries.

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

The asset recognised in the balance sheet is the fair value of plan assets less the present value of the defined benefit obligation at the reporting date, together with adjustments for unrecognised actuarial gains or losses and past service costs. Plan assets exclude any insurance contracts issued by the Company. The defined benefit obligation is calculated annually by the Company's actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that have terms to maturity that approximate the terms of the related pension liability.

3. Significant Accounting Policies (continued)

(m) Employee benefits (continued)

Pension obligations (continued)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives.

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

Actuarial valuations for the Staff Plan are carried out on an annual basis in accordance with IAS 19. Triennial actuarial valuations are carried out in accordance with statutory requirements. The last triennial valuation was carried out as at December 31, 2007 with the 2010 triennial valuation scheduled for completion in September 2011.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

(n) Provisions

Provisions are recognised when the Company has 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 the amount has been reasonably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required to settle the obligation is determined by considering the class of obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item in the same class of obligations may be small.

3. Significant Accounting Policies (continued)

(o) *Revenue recognition*

Fee income

The Company is the advisor, manager and distributor of the Colonial Life Family of Funds. Front-end fees are charged to the customers of the Core (Series VI) and Power (Series VI) Funds. These front-end fees are for a guarantee that the Company provides to the customer for principal and for a specific interest rate of return over a specified period of time. This fee is accounted for in the period in which the contract is made.

Fees arising from asset management and other investment related services are recognised in the accounting period in which the services are rendered.

Investment income

Investment income comprises interest, dividends, rent and loan interest for the year, and realised profits and losses on sale of investments. Interest is recognised on a time proportion basis using the effective interest method. Dividends are recognised when the rights to receive payment are established.

Rental income is recognised on the accruals basis.

Investment income is allocated between the shareholders' and policyholders' funds based on the ratio which the average of each individual fund bears to the total average fund for the year.

(p) *Expenses of management*

Expenses of management are allocated directly to the individual funds where applicable. Other expenses not directly allocated are apportioned to the individual funds in the ratio of direct salary costs for the year.

(q) *Finance leases*

Leases of equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charge so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligation, net of finance charges is included in borrowings. The interest element of the finance cost is charged to the income statement and revenue accounts over the lease period. The equipment acquired under the finance lease is depreciated over the shorter of the useful life of the asset or the lease term.

3. Significant Accounting Policies (continued)

(r) Changes in Assumptions

During the year the actuaries performed a review of the assumptions used to determine policyholder's liabilities. This resulted in a change in certain assumptions as described in Note 16.2.6. These changes have been applied prospectively to the financial statements for the year ended December 31, 2009.

(s) New standards and interpretations not yet adopted

At the date of authorisation of the financial statements there were new standards, amendments to standards and interpretations which were in issue but were not yet effective for the year ended December 31, 2009. The Company did not early adopt as permitted, or applied the following standards, amendments and interpretation in preparing these financial statements:

IFRS 9	Financial Instruments — First phase of the replacement of IAS 39 – Financial Instruments: Recognition and Measurement. The new standard would result in significant changes to the Company's classification and presentation of financial instruments	January 1, 2013
IFRS 1	First Time Adoption of IFRS – Amendments introduced giving additional exemptions to first time adopters of IFRS	January 1, 2010
IFRS 2	Share Based Payments — Amendments introduced Pertaining to Group Cash-settled Share Based Payment Transactions.	January 1, 2010
IAS 24	Related Party Disclosures — Revised version introduces additional related party disclosures.	January 1, 2011
IAS 32	Financial Instruments: Presentation – Amendment introduced regarding the classification of Rights Issues	February 1, 2010
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Amendments relating to Prepayments of a Minimum Funding Requirement.	July 1, 2010
IFRIC 19	Extinguishing financial liabilities with equity instruments	July 1, 2010

3. Significant Accounting Policies (continued)

(s) *New standards and interpretations not yet adopted* (continued)

The adoption of these standards and interpretations are not expected to have a material impact on the financial statements except for IFRS 9, which is expected to significantly change the Company's classification and presentation of financial instruments.

(t) *Segment reporting*

An operating segment is a distinguishable component of the Company that is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose results are reviewed regularly by management to make decisions about resource allocation to each segment and assesses its performance, and for which discrete financial information is available. The Company has one principal operating segment, insurance operations.

(u) *Comparatives*

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

4. Critical Accounting Estimates and Judgments in Applying Accounting Policies

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

4.1 Estimate of future benefit payments and premiums arising from long-term insurance contracts

Actuarial liabilities include two major components: a best estimate reserve and a provision for adverse deviations. This latter provision is established in recognition of the uncertainty in computing best estimate reserves, to allow for possible deterioration in experience and to provide greater comfort that reserves are adequate to pay future benefits.

For the respective reserves assumptions for mortality and morbidity, lapse, future investment yields, operating expenses and taxes, best estimate assumptions are determined where appropriate for each major product line.

4. Critical Accounting Estimates and Judgments in Applying Accounting Policies (continued)

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

Provisions for adverse deviations are established based on the risk profiles of the business. They are determined within a specific range established by the Canadian Standards of Practice.

The reserve assumption for each component of policy cash flow consists of an assumption for the expected experience and, separately, a margin for adverse deviation that reflects the degree of uncertainty in the expected experience assumption. The expected experience and the margin reflect the latest current experiences.

Detailed analyses are carried out by the Company's Actuarial Department in conjunction with the Company's Consulting Actuary to come up with the best estimate assumptions.

The Company's best estimate mortality assumption is based on industry experience, and adjusted with the Company's own experience. The assumed mortality rates for life insurance contracts do not reflect any future mortality improvement. For contracts that insure the risk of longevity (annuity contracts), appropriate but not excessively prudent allowance is made for expected mortality improvements.

The main source of uncertainty is that epidemics such as AIDS and wide-ranging lifestyle changes, such as eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the ages in which the Company has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Company is exposed to longevity risk.

Morbidity refers to the claims experience of the critical illness products. The best estimate assumption is based on industry experience only.

Lapse and expenses studies were performed to determine the best estimate lapse and per policy future administrative expense assumptions. However, for certain annuity products, estimates of future lapses were not made based on historical experiences. Due to events taking place subsequent to the year end management has adopted a conservative lapse assumption to reflect uncertainties relating to future policyholder behaviour.

Under certain contracts, the Company has offered guaranteed annuity options. Under the current conditions, this option is "in the money". The Actuary has included extra reserves for this option.

4. Critical Accounting Estimates and Judgments in Applying Accounting Policies (continued)

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

The process used to decide on the key actuarial assumptions and the sensitivity of the liability to changes in these assumptions is illustrated in note 16 to these financial statements.

4.2 Impairment of financial assets

Management makes assumptions and uses judgement in estimating the impact of identified loss events on future cash flows from financial assets or groups of financial assets.

Based on the objective evidence of identified loss events the Company saw the need to impair assets as listed in Note 29.

Impairment losses recognised represent management's best estimate of the impact of identified loss events on the future cash flows expected from the respective financial assets. If the amount or timing of the expected cash flows varies from management's estimate the impairment losses actually incurred may be different from the amount recognised in the financial statements.

Further details on assets identified as impaired and the respective impairment losses incurred are disclosed in Notes 4.5 and 29 to these financial statements.

4.3 Current and deferred income taxes

Significant estimates are required in determining provisions for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions.

4. Critical Accounting Estimates and Judgments in Applying Accounting Policies (continued)

4.3 Current and deferred income taxes (continued)

The Company also makes assumptions about future profitability in determining whether or not to recognise deferred tax assets. In the event of changes to these profitability assumptions, the tax assets recognised may be adjusted.

4.4 Valuation of financial instruments

The Company's accounting policy on fair value measurements is discussed in note 3(e).

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length.

4. Critical Accounting Estimates and Judgments in Applying Accounting Policies (continued)

4.4 Valuation of financial instruments (continued)

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
December 31, 2009					
Investment in associates	8	4,356,796	399,644	79,345	4,835,785
Investment securities	10	1,057,594	20,975	-	1,078,569
December 31, 2008					
Investment in associates	8	5,054,002	4,830,445	70,321	9,954,768
Investment securities	10	1,338,450	235,527	-	1,573,977

4.5 Financial asset and liability classification

The Company's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as trading, the Company has determined that it meets the description of trading assets and liabilities set out in note 3(e).
- In designating financial assets or liabilities at fair value through profit or loss, the Company has determined that it has met one of the criteria for this designation set out in note 3(e).
- In classifying financial assets as held-to-maturity, the Company has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by note 3(e).

5. Insurance and Financial Risk Management

The Company issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Company manages them.

Introduction and overview

The Company has exposure to the following risks from the use of financial instruments and the issuing of insurance and investment contracts:

i. Insurance risk
ii. Operational risk
iii. Credit risk
iv. Liquidity risk
v. Market risk.

This note presents information about the Company's exposure to each of the stated risks, its objectives, policies and processes for measuring and managing risk and its management of capital.

5.1 Risk management framework

The Board of Directors, which has overall responsibility for the establishment and oversight of the Company's risk management framework, has recognised the critical importance of having efficient and effective systems for the management of risk in place.

To this end, the Company has an established governance framework, which has two elements:

i. Defined terms of reference for the Board, its Committees, and the associated Executive Management Committees; and

ii. Clear organisational structure with documented delegated authorities and responsibilities from the Board to the executive management committees and senior management.

5. Insurance and Financial Risk Management (continued)

5.2 Insurance risk

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

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

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

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

5. Insurance and Financial Risk Management (continued)

5.2 Insurance risk (continued)

5.2.1 *Objectives in managing insurance contract risks and mitigation policies*

a) Objectives of risk management

The Company is in the business of accepting risks by issuing insurance contracts for commensurate returns to the shareholders. Effective management of these risks is critical to meeting the expectations of shareholders, policyholders and regulators.

The objectives of the Company's risk management activities are: (i) maintain a desirable overall risk profile, (ii) maintain strength in fulfilling contractual obligations to policyholders, and (iii) protect capital and add value to shareholders.

b) Concentration of insurance risk

The Company utilises reinsurance arrangements to mitigate the mortality risk associated with its group and individual life insurance business. The mortality exposures exceeding the retention limits are reinsured.

The tables below present the concentration of insured benefits across five bands of insured benefits per individual life assured.

	2009	
	$'000	**%**
Insured benefits per life $'000		
0-200	7,743,499	65.65
201-400	2,561,577	21.72
401-800	654,308	5.55
801-1,000	238,967	2.03
More than 1,001	596,434	5.05
Total	11,794,785	100.00

5. Insurance and Financial Risk Management (continued)

5.2 Insurance risk (continued)

5.2.1 *Objectives in managing insurance contract risks and mitigation policies* (continued)

c) *Concentration of insurance risk* (continued)

	2008	
Insured benefits per life $'000	**$'000**	**%**
0-200	8,061,659	61.73
201-400	3,319,101	25.43
401-800	746,940	5.72
801-1,000	289,050	2.21
More than 1,001	641,753	4.91
Total	13,058,503	100.00

The following tables for annuity contracts illustrate the concentration of risk based on five bands that group these contracts in relation to the amount payable per annum as if the annuity were in payment at the year end. The Company does not hold any reinsurance contracts against the liabilities carried for these contracts.

	2009	
Annuities payable per annum per life	**$'000**	**%**
0-20,000	73,766	52.82
21,000-40,000	31,505	22.56
41,000-80,000	17,594	12.60
81,000-100,000	3,802	2.72
More than 101,000	12,975	9.30
Total	139,642	100.00

The risk concentration has not materially changed from the prior year.

5. **Insurance and Financial Risk Management** (continued)

5.2 **Insurance risk** (continued)

5.2.1 ***Objectives in managing insurance contract risks and mitigation policies*** (continued)

c) *Concentration of insurance risk* (continued)

	2008	
	$'000	**%**
Annuities payable per annum per life		
0-20,000	62,216	49.83
21,000-40,000	29,688	23.78
41, 000-80,000	16,619	13.31
81,000-100,000	3,044	2.44
More than 101,000	13,287	10.64
Total	124,854	100.00

For contracts where death is the insured risk (life insurance), the most significant factors that could increase the overall frequency of claims are epidemics (such as AIDS) or wide spread changes in lifestyle, such as eating, smoking and exercise habits, resulting in claims occurring earlier than expected or in greater numbers than expected. For contracts where survival is the insured risk (annuity), the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

5.2.2 ***Long term insurance contracts and long term annuities***

i) *Frequency and severity of death claims*

Actual Death Claims Compared with Estimated Death Claims

	Expected Claims TT$	Actual Claims TT$
2004	7.6 million	9.1 million
2005	7.9 million	6.6 million
2006	8.6 million	9.2 million
2007	9.5 million	9.1 million
2008	13.2 million	15.0 million
2009	13.7 million	4.8 million

5. Insurance and Financial Risk Management (continued)

5.2 **Insurance risk** (continued)

5.2.2 ***Long term insurance contracts and long term annuities*** (continued)

i) Frequency and severity of death claims (continued)

Insurance risk for contracts disclosed in this note is also affected by the contract holders' right to pay reduced or no future premiums, to terminate the contract completely, or to exercise a guaranteed annuity option. As a result, the amount of insurance risk is also subject to contract holder behaviour. On the assumption that contract holders will make decisions rationally, overall insurance risk can be assumed to be aggravated by such behaviour. For example, it is likely that contract holders whose health has deteriorated significantly will be less inclined to terminate contracts insuring death benefits than those contract holders remaining in good health. This results in an increasing trend of expected mortality, as the portfolio of insurance contracts reduces due to voluntary terminations. The Company has factored the impact of contract holders behaviour into the assumptions used to measure these liabilities.

Insurance risk for contracts disclosed in the note is also affected by interest rate risk. This is especially significant for some types of long term insurance products. If new money rates were to rise appreciably, policyholders would want to cash in their policies (where cash values are provided) and move their money elsewhere where they can benefit from higher market rates. While at the same time that the insurer needs cash to pay the policyholder, the assets may have depreciated in market value.

ii) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behaviour.

The Company uses appropriate base tables of standard mortality according to the type of contract being written and the territory in which the insured person resides. An investigation into the actual experience of the Company over the last five years is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table. Where this is not the case, the best estimate of future mortality is based on standard industry tables adjusted for the Company's overall experience.

5. Insurance and Financial Risk Management (continued)

5.2 Insurance risk (continued)

5.2.2 *Long term insurance contracts and long term annuities* (continued)

ii) Sources of uncertainty in the estimation of future benefit payments and premium receipts (continued)

For contracts that insure survival, an adjustment is made for future mortality improvements based on trends identified in the data and in the continuous mortality investigations performed by independent actuarial bodies. The impact of any historical evidence of selective termination behaviour will be reflected in this experience. The Company maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates. An allowance is then made for any trends in the data to arrive at a best estimate of future termination rates.

iii) Guaranteed annuity options

The amount of insurance risk under contracts with guaranteed annuity options is also dependent on the number of contract holders that will exercise their option ('option take-up rate'). This will depend significantly on the investment conditions that apply when the options can be exercised. The lower the current market interest rates in relation to the rates implicit in the guaranteed annuity rates, the more likely it is that contract holders will exercise their options. Continuing improvements in longevity reflected in current annuity rates will increase the likelihood of contract holders exercising their options as well as increasing the level of insurance risk borne by the Company under the annuities issued. The Company does not have sufficient historical data on which to base its estimate of the number of contract holders who will exercise their options.

Conversely, if current market interest rates were to rise in relation to the rates implicit in the guaranteed annuity rates, the more likely it is that policyholders would want to cash in their policies and move their money elsewhere where they can benefit from higher interest rates.

5.2.3 *Short-duration life insurance contracts*

i) Frequency and severity of claims

These contracts are mainly issued to employers to insure their commitments to their employees in terms of their pension fund and other employee benefit plans. The risk is affected by the nature of the industry in which the employer operates, in addition to the factors in Note 5.2.1.

5. Insurance and Financial Risk Management (continued)

5.2 Insurance risk (continued)

5.2.3 *Short-duration life insurance contracts* (continued)

i) Frequency and severity of claims (continued)

The risk of death and disability will vary by industry. Undue concentration of risk by industry will therefore increase the risk of a change in the underlying average mortality or morbidity of employees in a given industry, with significant effects on the overall insurance risk.

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

Other than for the testing of the adequacy of the liability representing the unexpired risk at the reporting date, there is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration. However, for incurred disability income claims, it is necessary to estimate the rates of recovery from disability for future years. Standard recovery tables produced by reinsurers are used as well as the actual experience of the Company. The influence of economic circumstances on the actual recovery rate for individual contracts is the key source of uncertainty for these estimates.

5.3 Financial risk

The Company is exposed to a range of financial risk through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are credit risk, liquidity risk, interest rate risk, equity price risk and foreign currency risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

5.3.1 Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their contractual obligations, and arises principally from the Company's loans, mortgages and investments and related parties.

Management of credit risk

The Company's management of credit risk includes close monitoring by its Investments Department. The Company has employed a risk grading structure for the financial assets held as at December 31, 2009.

5. Insurance and Financial Risk Management (continued)

5.3.1 **Credit risk** (continued)

Management of credit risk (continued)

This risk grading structure places financial assets into one of four categories:

1 Grade 1: Low risk- Cash, Blue Chip Stocks and Government Securities.

2 Grade 2: Medium Risk- Securities issued by and receivables from performing private companies.

3 Grade 3: High Risk- Securities issued by and receivables from non-performing private companies.

4 Grade 4: Securities issued that management considers to be impaired.

5. Insurance and Financial Risk Management (continued)

5.3.1 Credit risk (continued)

Management of credit risk (continued)

Credit risk table

	Carrying Amounts			
	Neither past Due nor Impaired	Past due not impaired	Impaired	Total
	$'000	$'000	$'000	$'000
As at December 31, 2009				
Investment Securities				
Grade 1	750,567	-	-	750,567
Grade 2	539,385	-	-	539,385
Grade 3	16,576	-	-	16,576
Grade 4	-	-	1,996,705	1,996,705
Impairment	-	-	(1,996,705)	(1,996,705)
	1,306,528	-	-	1,306,528
Due from Related Parties				
Grade 2	225,151	-	-	225,151
Grade 3	-	93,168	5,278,902	5,372,070
Grade 4	-		1,541,912	1,541,912
Impairment	-	-	(4,889,408)	(4,889,408)
	225,151	93,168	1,931,406	2,249,725
Loans and Other Receivables				
Grade 1	47,337	-	-	47,337
Grade 2	48,000	-	-	48,000
Grade 3	-	59,273	507,437	566,710
Grade 4	-	-	1,528,389	1,528,389
Impairment	-	-	(1,879,736)	(1,879,736)
	95,337	59,273	156,090	310,700
Bank and Short-term Deposits				
Grade 1	336,981	-	-	336,981
Total	1,963,997	152,441	2,087,496	4,203,934

5. Insurance and Financial Risk Management (continued)

5.3.1 Credit risk (continued)

Management of credit risk (continued)

Credit risk table

	Carrying Amounts			
	Neither past Due nor Impaired	Past due not impaired	Impaired	Total
	$'000	$'000	$'000	$'000
As at December 31, 2008				
Investment Securities				
Grade 1	1,338,450	-	-	1,338,450
Grade 3	1,377,127	-	-	1,377,127
Grade 4	-	-	855,104	855,104
Impairment	-	-	(855,104)	(855,104)
	2,715,577	-	-	2,715,577
Due from Related Parties				
Grade 2	-	962,844	-	962,844
Grade 3	-	-	5,505,010	5,505,010
Grade 4	-	-	863,657	863,657
Impairment	-	-	(3,453,929)	(3,453,929)
	-	962,844	2,914,738	3,877,582
Loans and Other Receivables				
Grade 1	24,843	-	-	24,843
Grade 2	193,523	63,990	-	257,513
Grade 3	16,385	-	45,431	61,816
Grade 4	-	-	860,159	860,159
Impairment	-	-	(899,055)	(899,055)
	234,751	63,990	6,535	305,276
Bank and Short-term Deposits				
Grade 1	618,671	-	-	618,671
Total	3,568,999	1,026,834	2,921,273	7,517,106

5. Insurance and Financial Risk Management (continued)

5.3.1 **Credit risk** (continued)

Collateral

The Company holds collateral against loans and advances in the form of mortgages over properties, other registered securities over assets and guarantees. Estimates of fair value are based on the value of the collateral assessed at the time of borrowing and generally are not updated except when a financial asset is individually assessed as impaired. Collateral usually is not held against financial assets and no such collateral was held at December 31, 2009 or 2008.

5.3.2 **Liquidity risk**

Liquidity Risk is the risk that the entity will encounter difficulty in meeting obligations associated with its financial and insurance liabilities. At the reporting date the Company's main exposures to liquidity risk are in relation to its insurance liabilities.

Management of liquidity risk

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. In previous years, the management of liquidity risk has been a function of the Treasury function within the Finance Department. However, events subsequent to the year and have resulted in the Company becoming dependent on liquidity assistance largely provided by the GORTT through the CBTT.

As with all other Trinidad insurance companies, CLICO's investment portfolio follows existing guidelines of the Insurance Act and is subject to periodic reviews to monitor compliance with stated fund objectives and compliance with Insurance Act requirements. The portfolio is managed on a total return basis and investment performance is reviewed monthly by the Investments Department.

5. Insurance and Financial Risk Management (continued)

5.3.2 Liquidity risk (continued)

Exposure to liquidity risk

The following tables provide information about the maturity profile for the Company's Financial Assets, Financial Liabilities and Insurance liabilities.

Maturity analysis for non derivative cash flows

As at December 31, 2009

Contractual undiscounted cash flows

	Within 1 Year	1-5 Years	Over 5 Years	Total	Carrying Values
	$'000	$'000	$'000	$'000	$'000
Investment contracts	5,581,635	8,294,068	57,309	13,933,012	12,742,614
Borrowings	24,871	322,199	-	347,070	347,071
Debt securities issued	-	-	1,892,779	1,892,779	1,892,779
Bank overdrafts and short term borrowings	429,302	-	-	429,302	429,302
Due to related parties	1,950,941	-	-	1,950,941	1,950,941
Trade and accounts payable	190,860	-	-	190,860	190,860
	8,177,609	8,616,267	1,950,088	18,743,964	17,553,567

Expected undiscounted cash flows

	Within 1 Year	1-5 Years	Over 5 Years	Total	Carrying Values
	$'000	$'000	$'000	$'000	$'000
Ordinary life	43,347	177,237	902,445	1,123,029	523,924
FPA	321,897	413,088	5,423,571	6,158,556	2,613,372
Annuities	155,019	780,515	4,025,814	4,961,348	2,156,902
Long term insurance	520,263	1,370,840	10,351,830	12,242,933	5,294,198
Short term insurance	28,224	-	-	28,224	28,224
Deposits and premiums paid in advance	50,109	-	-	50,109	50,109
Claims admitted or intimated but not yet paid	146,330	-	-	146,330	146,330
Grand Total	744,926	1,370,840	10,351,830	12,467,596	5,518,861

5. Insurance and Financial Risk Management (continued)

5.3.2 Liquidity risk (continued)

Exposure to liquidity risk

The following tables provide information about the maturity profile for the Company's Financial Assets, Financial Liabilities and Insurance liabilities.

Maturity analysis for non derivative cash flows

As at December 31, 2008

Contractual undiscounted cash flows

	Within 1 Year	1-5 Years	Over 5 Years	Total	Carrying Values
	$'000	$'000	$'000	$'000	$'000
Investment contracts	7,061,369	8,132,636	390,948	15,584,953	13,851,178
Borrowings	209,553	-	-	209,553	192,995
Bank overdrafts and short term borrowings	2,135,467	-	-	2,135,467	2,135,467
Due to related parties	241,398	-	-	241,398	241,398
Trade and accounts payable	258,194	-	-	258,194	258,194
	9,905,981	8,132,636	390,948	18,429,565	16,679,232

Expected undiscounted cash flows

	Within 1 Year	1-5 Years	Over 5 Years	Total	Carrying Values
	$'000	$'000	$'000	$'000	$'000
Ordinary life	53,760	229,871	1,889,365	2,172,996	383,589
FPA	17,934	124,178	9,280,439	9,422,551	2,836,404
Annuities	131,187	517,791	2,893,165	3,542,143	1,392,323
Overseas	85,681	16,331	14,955	116,967	101,220
Long term insurance	288,562	888,171	14,077,924	15,254,657	4,713,536
Short term insurance	24,730	-	-	24,730	24,730
Deposits and premiums paid in advance	76,154	-	-	76,154	76,154
Claims admitted or intimated but not yet paid	36,741	-	-	36,741	36,741
Grand Total	426,187	888,171	14,077,924	15,392,282	4,851,161

5. Insurance and Financial Risk Management (continued)

5.3.2 Liquidity risk (continued)

Exposure to liquidity risk (continued)

Maturity analysis for derivative financial assets and liabilities

	Within 1 Year	1-5 Years	Over 5 Years	Total
	$'000	**$'000**	**$'000**	**$'000**
As at December 31, 2009				
Financial Liabilities				
Mutual Fund obligation	782,547	698,701	-	1,481,248
As at December 31, 2008				
Financial Liabilities				
Mutual Fund obligation	258,965	1,130,198	-	1,389,163

5. Insurance and Financial Risk Management (continued)

5.3.3 **Market risk**

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, equity prices, property prices, and foreign currency exchange rates. Market risk arises due to fluctuations in both the value of liabilities and the value of investments held.

Management of market risk

The management of market risk is undertaken on both a committee and departmental level. The Investment Committee deals with specific types of risks as outlined below, whilst the Actuarial Department and Treasury function within the Finance Department also play key roles in the day to day management of specific market risks, using their market risk framework and within local regulatory constraints.

The Company may also be constrained by the requirement to meet policyholders' reasonable expectations and to minimise or avoid market risk in a number of areas. The Investment Committee is responsible for managing market risk at the executive level.

The financial impact from changes in market risk (such as interest rates, equity prices and property values) was reviewed at the end of 2009. The sensitivity of capital and Company earnings to changes in economic conditions was analysed through sensitivities to investment returns and asset values at the end of 2009.

- *Equity price risk*

  The Company is subject to equity price risk due to daily changes in market values of its equity securities portfolio. At the executive level, because of the investment strategy adopted by the Company, equity price risk is managed in order to mitigate anticipated unfavourable market movements by constant review and analysis of the stock exchange. In addition local regulatory requirements mean that the Company has to hold diversified portfolios of assets thereby reducing exposure to individual equities. Unquoted equities are also valued on an annual basis.

  The Investments Department actively monitors equity assets owned directly by the Company and concentrations of specific equity holdings.

  Sensitivity to changes in equity prices is given in section 5.3.3 below.

5. Insurance and Financial Risk Management (continued)

5.3.3 **Market risk** (continued)

Management of market risk (continued)

- *Property price risk*

  The Company is subject to property price risk due to holdings of investment properties in a variety of locations countrywide. The investment in property is managed by the Properties Department by reference to latest housing market information and regular valuations. This area is also subject to local regulations on asset admissibility, liquidity requirements and the expectations of policyholders. Sensitivity to changes in property prices is given in section 5.3.3 below.

- *Interest rate risk*

  Interest rate risk arises primarily from the Company's investment in long-term debt and fixed income securities, which are exposed to fluctuations in interest rates. Exposure to interest rate risk is monitored through the Actuarial Department, Treasury Department and Investment Committee and managed through the use of asset and liability matching using measures such as duration.

  Insurance and investment contracts with guaranteed and fixed terms have benefit payments that are fixed and guaranteed at the inception of the contract. The financial component of these benefits is usually a guaranteed fixed interest rate and hence the Company's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities is insufficient to fund the guaranteed benefits payable.

5. Insurance and Financial Risk Management (continued)

5.3.3 **Market risk** (continued)

Management of market risk (continued)

- *Interest rate risk*

The table below summarises the interest earning assets and interest bearing liabilities.

	Up to 1 Year	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000
As at December 31, 2009					
Assets					
Property, plant and equipment	-	-	-	412,348	412,348
Investment properties	-	-	-	341,580	341,580
Investments in associates	-	-	-	4,835,785	4,835,785
Investments in subsidiaries	-	-	-	5,183,000	5,183,000
Investment securities	2,834	183,081	564,652	555,961	1,306,528
Due from related parties				2,249,725	2,249,725
Loans and other receivables	46,792	39,274	122,872	101,762	310,700
Retirement benefit	-	-	-	76,811	76,811
Taxation recoverable	-	-	-	13,314	13,314
Cash and cash equivalents	336,981	-	-	-	336,981
	386,607	222,355	687,524	13,770,286	15,066,772
Liabilities					
Insurance contracts	588,963	276,163	2,328,838	2,324,897	5,518,861
Investment contracts	4,159,258	7,562,609	396,987	623,760	12,742,614
Borrowings	24,871	322,200	-	-	347,071
Debt securities issued	-	-	1,892,779	-	1,892,779
Bank overdraft and short-term borrowings	429,302	-	-	-	429,302
Due to related parties	-	-	-	1,950,941	1,950,941
Mutual fund obligation	-	-	-	1,481,248	1,481,248
Trade and accounts payable	-	65,998	-	124,862	190,860
Deferred taxation	-	-	21,886	-	21,886
	5,202,394	8,226,970	4,640,490	6,505,708	24,575,562
Periodic GAP	(4,815,787)	(8,004,615)	(3,952,966)	7,264,578	(9,508,790)
Cumulative GAP	(4,815,787)	(12,820,402)	(16,773,368)	(9,508,790)	-
As at December 31, 2008					
Total assets	1,251,813	1,308,949	1,638,965	14,316,362	18,516,089
Total liabilities	9,144,177	7,476,911	2,191,184	4,216,279	23,028,551
Periodic GAP	(7,892,364)	(6,167,962)	(552,219)	10,100,083	(4,512,462)
Cumulative GAP	(7,892,364)	(14,060,326)	(14,612,545)	(4,512,462)	-

Sensitivity to changes in interest rates is given in section 5.3.3 below.

5. Insurance and Financial Risk Management (continued)

5.3.3 **Market risk** (continued)

Management of market risk (continued)

- *Currency risk*
  The Company operates internationally and as a result is exposed to foreign currency exchange risk arising from fluctuations in exchange rates of various currencies. The Company does not hedge its foreign currency revenues as these are substantially retained locally to support the growth of the Company's business and meet local regulatory and market requirements.

  The Company invests in assets denominated in the same currencies as their related liabilities, which eliminates the foreign exchange rate risk for these operations. The sensitivity arising from this risk is discussed in Note 5.3.3.

  The exposure to foreign exchange from financial instruments risk is shown below.

	TT $'000	US $'000	Other $'000	Total $'000
As at December 31, 2009				
Assets				
Property, plant and equipment	412,348	-	-	412,348
Investment properties	341,580	-	-	341,580
Investments in associates	4,356,795		478,990	4,835,785
Investments in subsidiaries	4,722,579	460,421	-	5,183,000
Investment securities	1,254,510	1,797	50,221	1,306,528
Due from related parties	734,892	1,514,606	227	2,249,725
Loans and other receivables	271,783	38,801	116	310,700
Retirement benefit	76,811	-	-	76,811
Taxation refundable	13,314	-	-	13,314
Cash and cash equivalents	182,451	150,446	4,084	336,981
	12,367,063	2,166,071	533,638	15,066,772
Liabilities				
Insurance contracts	5,477,361	41,500	-	5,518,861
Investment contracts	8,544,716	3,684,929	512,969	12,742,614
Borrowings	347,071	-	-	347,071
Debt securities issued	1,892,779	-	-	1,892,779
Bank overdraft and short-term borrowings	337,673	91,629	-	429,302
Due to related parties	722,827	1,228,114	-	1,950,941
Mutual fund obligation	1,481,248	-	-	1,481,248
Trade and accounts payable	190,860	-	-	190,860
Deferred taxation	21,886	-	-	21,886
	19,016,421	5,046,172	512,969	24,575,562
Exchange GAP	(6,649,358)	(2,880,101)	20,669	(9,508,790)

5. Insurance and Financial Risk Management (continued)

5.3.3 Market risk (continued)

	TT $'000	US $'000	Other $'000	Total $'000
As at December 31, 2008				
Total assets	16,032,627	1,765,806	717,656	18,516,089
Total liabilities	16,286,390	6,126,804	615,357	23,028,551
Exchange GAP	**(253,763)**	**(4,360,998)**	**102,299**	**(4,512,462)**

5.3.3.1 Market risk sensitivity analysis

The tables below demonstrate the effect of a change in a key assumption whilst all other assumptions remain unchanged. In reality there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Company's assets and liabilities are actively managed. Additionally, the financial position of the Company may vary at the time that any actual market movement occurs.

Other limitations in the sensitivity analyses below include the use of hypothetical market movements to demonstrate potential risk that only represent the Company's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Sensitivity Factor	Description of sensitivity factor applied
Exchange rates	A 5% change in the TT$/US$ foreign exchange rates would have the following impact on net assets and net income for the period. Any changes will have an impact on the net profit of the Company as changes are recognised in profit and loss as per IAS 21.

	5% increase in TT/US rate TT$'000	**5% decrease in TT/US rate** TT$'000
Impact on comprehensive income and equity as at		
December 31, 2009	(234,367)	234,367
December 31, 2008	(218,050)	218,050

5. **Insurance and Financial Risk Management** (continued)

5.3.3 **Market risk** (continued)

*5.3.3.1 **Market risk sensitivity analysis*** (continued)

Sensitivity factor	Description of sensitivity factor applied	Assumptions
Interest rate and investment return	The impact of change in market interest rates by + or -1% (e.g. if a current interest rate is 5%, the impact of an immediate change to 4% and 6%).	Effective interest rate for financial assets used was 4% whilst the rate for financial liabilities was 10%.
Equity/property market values	The impact of a change in equity/property market values by + or – 10%.	All property revaluation and equity movements in the financial assets at fair value through profit or loss affect income whereas available for sale asset revaluation affect equity directly. All equity market movements affect only quoted equity stock.

Impact on	Interest Rates Rise 100 bps $'000	Interest Rates Fall 100 bps $'000	Property Prices Rise 10% $'000	Property Prices Fall 10% $'000	Equity Prices Rise 10% $'000	Equity Prices Fall 10% $'000
Sensitivities as at December 31, 2009						
Statement of comprehensive income	172,984	(172,984)	34,158	(34,158)	49,921	(49,921)
Equity	(172,984)	172,984	67,704	(67,704)	1,001,883	(1,001,883)
Sensitivities as at December 31, 2008						
Statement of comprehensive income	10,155	(10,155)	34,708	(34,708)	40,950	(40,950)
Equity	(10,155)	10,155	71,200	(71,200)	1,121,039	(1,121,039)

5. Insurance and Financial Risk Management (continued)

5.4 Operational risk

Operational risk arises as a result of inadequately controlled internal processes or systems, human error, or from external events.

This definition is intended to include all risks to which the Company is exposed, other than the financial and insurance risk described below. Hence, operational risks include for example, information technology, information security, human resources, project management, outsourcing, tax, legal and fraud and compliance risks.

In accordance with the Company's policies, department managers have primary responsibility for the effective identification, management, monitoring and reporting of risks to the executive management team and to the Company as part of its continuous risk reporting process. Each operational risk is assessed by considering the potential impact and the probability of the event occurring. Impact assessments are made against strategic, operational and reputation criteria.

In past financial years the Group's Corporate Oversight Team has been responsible for implementing the Company's risk management methodologies and frameworks to assist line management in this work

Subsequent to the year end 2008, the Group's Corporate Oversight Team has ceased to function. The Company's Audit Committee has been charged with the responsibility for governing the implementation of the Company's risk management methodology and frameworks and since engaged an Internal Auditor during 2009 to assist this process..

5.5 Capital management

The Company's objectives when managing capital are:

1 To comply with the insurance capital requirements required by the insurance regulators of Trinidad and Tobago;

2 To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

3 To provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

5. Insurance and Financial Risk Management (continued)

5.5 Capital management (continued)

The capital structure of the Company consists of debt, which includes borrowings disclosed in Note 18, amounts due from Related Parties disclosed in Note 10, policyholders' reserves as disclosed in Note 16 and amounts attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in Notes 14 and 15 respectively.

The Actuarial Department monitors capital and solvency and makes recommendations to keep the Company's overall capital structure in balance through the payment of dividends, new share issues and share buy backs as well as the issue of new debt or the redemption of existing debt.

Subject to the Insurance Act, 1980, no company may be registered to carry on ordinary long term business unless it has a paid up share capital of not less than three million dollars.

Subsequent to the year end the GORTT has agreed to inject additional capital of up to $5 billion in the form of ordinary and redeemable preference shares. Further information on this transaction is included in Note 40 to these financial statements.

6. Property, Plant and Equipment

	Land and Buildings $'000	Furniture, Fixtures and Equipment $'000	Motor Vehicles $'000	Capital Work in Progress $'000	Software $'000	Total $'000
Year ended December 31, 2009						
Opening net book amount	364,919	39,046	7,048	8,726	27,819	447,558
Additions	-	21,819	426	7,060	-	29,305
Transfer from investment property	4,525	-	-	-	-	4,525
Reclassifications	1,558	-	-	(3,293)	-	(1,735)
Impairment	(30,745)	-	-	-	-	(30,745)
Disposals	-	(797)	(680)	(7,398)	-	(8,875)
Depreciation charge	(4,793)	(7,763)	(1,386)	-	(13,743)	(27,685)
Closing net book amount	335,464	52,305	5,408	5,095	14,076	412,348
At December 31, 2009						
Cost or valuation	351,682	164,972	9,709	5,096	55,038	586,497
Accumulated depreciation	(16,218)	(112,668)	(4,301)	-	(40,962)	(174,149)
Closing net book amount	335,464	52,304	5,408	5,096	14,076	412,348
Year ended December 31, 2008						
Opening net book amount	296,548	44,176	5,519	63,618	55,941	465,802
Additions	3,031	3,523	3,318	6,749	718	17,339
Reclassifications	58,846	2,794	-	(61,640)	-	-
Revaluation	36,165	-	-	-	-	36,165
Impairment	(25,775)	-	-	-	(14,287)	(40,062)
Disposals	-	-	(334)	-	-	(334)
Depreciation charge	(3,897)	(11,446)	(1455)	-	(14,554)	(31,352)
Closing net book amount	364,918	39,047	7,048	8,727	27,818	447,558
At December 31, 2008						
Cost or valuation	376,344	145,351	11,113	8,727	109,483	651,018
Accumulated depreciation	(11,426)	(106,304)	(4,065)	-	(81,665)	(203,460)
Closing net book amount	364,918	39,047	7,048	8,727	27,818	447,558

6. Property, Plant and Equipment (continued)

If land and buildings were stated on a historical cost basis the amounts would be as follows:

	2009 $'000	2008 $'000
At December 31		
Cost	270,067	270,067
Accumulated depreciation	(30,627)	(25,886)
Net book amount	239,440	244,181

As at December 31, 2009 there were no finance leases (where the Company is the lessee) (2008: NIL).

7. Investment Properties

	2009 $'000	2008 $'000
Year ended December 31		
Opening net book amount	347,077	392,679
Additions	18,002	11,788
Transfer from property, plant and equipment	1,735	-
Transfer to property, plant and equipment	(4,525)	-
Fair value losses	(3,651)	(57,390)
Disposals	(17,058)	-
Closing net book amount	341,580	347,077

Rental income arising from the investment properties owned by the Company amounted to $4,628,347 (2008: $3,831,733).

The fair values of investment properties at the yearend were determined by reference to valuations performed during the period July to August 2010 by independent valuators.

8. Investments in Associates

	% Shareholdings 2009	2008	2009 $'000	2008 $'000
Available-for-sale				
Quoted at fair value				
Republic Bank Limited - 51,858,299 (2008: 52,208,701) shares of no par value	32	33	3,838,551	4,489,948
Angostura Holdings Limited - 66,971,877 shares of no par value	32	32	462,106	462,106
One Caribbean Media Limited – 15,285,917 shares of no par value	23	23	267,504	267,504
Agostini's Limited – 6,550 (see (a) below) (2008: 5,951,940) shares of no par value	0	20	-	56,543
L.J. Williams Limited – Class A 3,245,694 (2008: 4,641,728) shares of no par value	7	10	1,753	2,785
L.J. Williams Limited – Class B 10,190,584 (2008: 10,328,404) shares of no par value	51.62	52.32	10,088	19,624
			4,580,002	5,298,510
Managed Fund Assets (see Note 10)			(223,206)	(244,508)
			4,356,796	5,054,002
Unquoted at fair value				
Home Construction Limited 27,558,038 shares of no par value	43	43	380,975	380,975
Methanol Holdings (Trinidad) Limited 166,988,249 shares of no par value (see (b) below)	0	49	-	3,871,191
Methanol Holdings International Limited 4,900,700 shares of no par value (see (b) below)	0	49	-	224,088
Plantations Holdings Limited (in receivership) 2,888,789 shares of BD$1 each	34	34	1	1
CL WorldBrands Limited 42,830,350 shares of no par value	42	42	399,644	354,191
Balance carried forward			780,620	4,830,446

8. Investments in Associates

	% Shareholdings 2009	2008	2009 $'000	2008 $'000
Unquoted at fair value (continued)				
Balance brought forward			780,620	4,830,446
Burn Stewart Distillers Limited 18,860,274 shares of no par value	29	29	79,345	70,321
IBIS Caroni (Cayman) Limited 3,675 shares of no par value	49	49	22,813	22,813
IBIS Cedar (Cayman) Limited 5,726 shares of no par value	49	49	35,546	36,138
IBIS Kapok (Cayman) Limited 612 shares of no par value	49	49	3,802	3,802
			922,126	4,963,520
Less provision for impairment			(443,137)	(62,754)
			478,989	4,900,766
Total			4,835,785	9,954,768

(a) During the year a significant portion of the Company's investment in Agostini Limited was sold resulting in the reclassification of the remaining investment to investment securities.

(b) The Company, through a deed of trust dated March 4, 2009, has assumed control of MHTL and MHIL. As a result, these investments have been reclassified from investments in associates to investments in subsidiaries at the reporting date.

9. Investment in Subsidiaries

	% Shareholdings 2009	% Shareholdings 2008	2009 $'000	2008 $'000
Available-for-sale				
Unquoted at cost less impairment				
Occidental Investments Ltd. 50,000 shares of no par value	100	100	155,715	155,715
Oceanic Properties Ltd. 50,000 shares of no par value	100	100	18,285	18,285
CL Infinity (BVI) Limited 10 shares of no par value	100	100	29,256	29,261
Methanol Holdings (Trinidad) Limited 188,834,682 (2008: 166,988,249) shares of no par value	56.53	-	4,548,578	-
Methanol Holdings International Limited 5,653,700 (2008:4,900,700) shares of no par value	56.53	-	460,421	-
B.S Hosein Limited Nil (2008:100) shares of no par value	-	100	-	13,256
			5,212,255	216,517
Less provision for impairment			(29,255)	(29,255)
Total			5,183,000	187,262

The carrying values of investments in subsidiaries are not materially different from their fair values at the reporting date.

B.S. Hosein Limited was liquidated in December 2009 (see Note 37).

10. Investment Securities

	2009 $'000	2008 $'000
Available-for-sale		
Unquoted equity securities	373,705	592,655
Quoted equity securities	125,552	423,326
Debt securities	1,639,575	1,639,576
Government securities	704,991	463,819
Provision for impairment	(1,996,704)	(855,104)
	847,119	2,264,272
Managed funds' assets at fair value through profit or loss		
Quoted equity securities		
- Investments in associates (Note 8)	223,206	244,508
- Other equity securities	190,627	164,997
Government securities	45,576	41,800
	459,409	451,305
Total	1,306,528	2,715,577

Debt securities comprise bonds with CL Financial Limited, the Parent Company, of $1,142 million (2008: $1,142 million) and a bond with CLICO Investment Bank Limited, a fellow subsidiary, of $498 million (2008: $498 million).

The fair values of the unquoted equity securities are deemed to approximate their carrying values.

The table below illustrates movements in investment securities during the year:

	Available-for-sale $'000	Fair value through profit or loss $'000	Total $'000
At December 31, 2008	2,264,272	451,305	2,715,577
Purchases	233,382	-	233,382
Transfer from investment in associates	49	-	49
Disposals	(427,072)	-	(427,072)
Fair value (losses) gains	(76,042)	8,104	(67,938)
Foreign exchange losses	(5,870)	-	(5,870)
Impairment losses	(1,141,600)	-	(1,141,600)
At December 31, 2009	847,119	459,409	1,306,528

10. Investment Securities (continued)

The investment securities at fair value through profit or loss are managed and are held in internal funds to match against managed funds (Note 17) of $624 million (2008: $538 million).

The table below illustrates the movement on the provision for impairment during the year.

	Available-for-sale $'000	Fair value through profit or loss $'000	Total $'000
As at December 31, 2008	855,104	-	855,104
Increase in provisions	1,141,600	-	1,141,600
As at December 31, 2009	1,996,704	-	1,996,704

11. Due from Related Parties

	2009 $'000	2008 $'000
Current accounts and past due balances with:		
Parent company	2,496,722	2,655,848
Subsidiary companies of the Parent Company	1,660,184	1,601,350
Fellow subsidiary	1,699,320	4,238,035
Associate companies	225,151	225,151
Provision for impairment	(3,831,652)	(4,842,802)
	2,249,725	3,877,582

12. Loans and Other Receivables

Accrued investment income	47,338	26,530
Sundry debtors and prepayments	41,216	14,184
Promissory notes	377,185	391,903
Due from reinsurers	2,720	2,201
Mortgages	95,141	94,952
Policy loans	145,588	128,663
Provision for impairment	(398,488)	(353,157)
	310,700	305,276

12. Loans and Other Receivables (continued)

The table below illustrates the movement of the provision for impairment during the year.

	Promissory Notes	Mortgages	Policy Loans	Total
	$'000	$'000	$'000	$'000
As at December 31, 2008	296,471	39,403	17,283	353,157
Increase (decrease) in provisions	65,245	(15,098)	(4,816)	45,331
As at December 31, 2009	361,716	24,305	12,467	398,488

13. Bank and Short-term Deposits

	2009	2008
	$'000	$'000
Deposits maturing more than three months	5,368	15,581
Deposits maturing less than three months	197,153	271,665
Cash at bank	134,460	331,425
	336,981	618,671

14. Share Capital

Authorised
An unlimited number of ordinary shares of no par value

Issued		
2,950,000 (2008: 1,500,000) ordinary shares of no par value	14,750	7,500

During the year 1,450,000 ordinary shares were issued to GORTT.

15. Valuation Reserves

	Managed Funds	Marketable Securities	Land and Buildings	Total
	$'000	$'000	$'000	$'000
Year ended December 31, 2009				
Balance at December 31, 2008, as restated	32,653	6,046,690	132,052	6,211,395
Fair value losses	-	(194,971)	6,472	(188,499)
Fair value gains (net of tax)	(1,431)	4,156	-	2,725
Change in trustee's units held in managed fund	(44,717)	-	-	(44,717)
Balance at December 31, 2009	(13,495)	5,855,875	138,524	5,980,904
Year ended December 31, 2008				
Balance at December 31, 2007, as previously reported	14,846	5,753,249	95,887	5,863,982
Prior years' adjustment (Note 38)	-	760,682	-	760,682
Balance at December 31, 2007, as restated	14,846	6,513,931	95,887	6,624,664
Fair value losses	-	(396,594)	36,165	(360,429)
Fair value gains (net of tax)	(933)	26,254	-	25,321
Fair value gains transferred to income statement (net of tax)	-	749	-	749
Reclassification of policyholders' reserve to accumulated deficit	-	(97,650)	-	(97,650)
Change in trustee's units held in managed fund	18,740	-	-	18,740
Balance at December 31, 2008, as restated	32,653	6,046,690	132,052	6,211,395

16. Insurance Contracts

	2009 $'000	2008 $'000
Long Term Insurance Fund - Note 16.3 (a)	5,294,198	4,800,096
Short Term Insurance Fund - Note 16.3 (b)	28,224	24,730
	5,322,422	4,824,826
Deposits and premiums paid in advance	50,109	76,154
Claims admitted or intimated but not yet paid	146,330	36,741
Total policyholders' liabilities	5,518,861	4,937,721

16.1 Actuarial valuation

The Company's Consulting Actuary, Prescience Insurance Consultants and Actuaries, in their report dated August 31, 2011, stated that the aggregate amount of the liabilities of the Company in relation to its long-term insurance business registered in Trinidad and Tobago as at December 31, 2009 (TT$16,791,613,000) exceeds the aggregate value (as provided by the Company) of the Statutory Fund assets (see Note 41).

The Caribbean Policy Premium Method (CPPM) was used as a minimum basis for valuing long term liabilities as described in the pending revisions to the Insurance Act. The current Insurance Act of Trinidad and Tobago provides that no policy shall be treated as an asset. However, CPPM allows negative reserves. Negative reserves however were not allowed as no policy can be treated as an asset under the Trinidad Insurance Act. Thus, CPPM is applied with a zero reserve floor in this valuation. This method uses a traditional discounted cash flows valuation platform.

The actuary valued the policy liability by projecting future policy cash flows, and then discounting these cash flows to the financial statements date at risk adjusted interest rates. Due to uncertainty in the future experiences, margins for adverse deviation from the Company's recent experiences are added in deriving future policy cash flows.

16.2 Long-term and short-term life insurance contracts - assumptions and sensitivity

a) ***Process used to decide on assumptions***

At each financial reporting date, the valuation assumption for each component of policy cash flow consists of an assumption for the expected experience and, separately, a margin for adverse deviation that reflects the degree of uncertainty in the expected experience assumption. The expected experience and the margin reflect the latest current experiences.

16. Insurance Contracts (continued)

16.2 Long-term and short-term life insurance contracts - assumptions and sensitivity (continued)

a) ***Process used to decide on assumptions*** (continued)

The assumptions used for the long term insurance contracts disclosed in this note are as follows:

Mortality

For long-term life insurance policies, the mortality assumptions are made based on 1986-92 Canadian Institute of Actuaries Select and Ultimate mortality tables. An investigation into the Company's mortality experience is performed, and the mortality tables are adjusted to reflect the Company's experience and territory differences. Additional provisions for AIDS extra mortality based on US experience are added to the expected mortality assumptions. Additional margin was provided for uncertainty in setting the expected mortality assumptions.

For individual payout annuity policies, the mortality assumptions are based on 1983 Individual Annuitant Mortality tables. Mortality improvement is assumed for past and future years. Additional margin was provided for uncertainty in setting the expected mortality assumptions.

For group payout annuity policies, the mortality assumptions are based on 1983 Group Annuitant Mortality tables. Mortality improvement is assumed for past and future years. Additional margin was provided for uncertainty in setting the expected mortality assumptions.

Lapses

The expected lapse rate assumptions for all lines except EFPA, GAP and GAAPP are based on the Company's experience over the past 10 years. Additional margins were provided for uncertainty in setting the expected lapse assumptions. In the case of the EFPA, GAP and GAAPP, as a consequence of subsequent events, the actuary determined that lapse experiences may not provide a reasonable basis for estimating future policyholder behaviour (see Note 36). Also because of the six month delay imposed on payment of EFPA surrenders, which meant that many of the policies would reach the maturity of the interest rate term, the lapse assumption in respect of these lines was dropped.

16. Insurance Contracts (continued)

16.2 Long-term and short-term life insurance contracts - assumptions and sensitivity (continued)

a) ***Process used to decide on assumptions*** (continued)

Interest rates

Valuation interest rate assumptions are determined based on the following information:

i. Projected investment income from and market values of all assets in the Statutory Fund at December 31, 2009
ii. Margined liability cash flows at December 31, 2009
iii. Trinidad and Tobago Treasury yield curve
iv. Yield curve used for reinvestment and disinvestments

Additional allowances are made for investment income tax, investment expense, asset default and asset/liability mismatch.

The Statutory Fund assets as of December 31, 2009 are meant to support the policy liability for Ordinary Long Term Insurance Business except EFPA, GAP and GAAPP.

In addition, as suggested in the Guidance Note document on the Quantitative Impact Study (QIS) published by the Central Bank, the expected return from the combination of dividend, capital growth and maturity proceeds for a consistent term should not exceed return on government debt instruments plus 1%.

Expenses

Policy administrative expense assumptions are made based on the Company's operating experience during the year of valuation. An expense study is performed by the Company, and a per-policy administrative expense is derived from the analysis results. A future expected rate of expense inflation is assumed based on the actual rate of inflation in Trinidad and Tobago during the year of valuation.

Morbidity Assumptions

Critical illness morbidity rates were based on rates supplied by Swiss Re and margin for adverse deviation is added.

16. Insurance Contracts (continued)

16.2 Long-term and short-term life insurance contracts - assumptions and sensitivity (continued)

b) *Change in assumptions*

The following table presents changes in assumptions from the prior year valuations and their impact on the value of insurance liabilities in the current year.

Assumption	Change in Assumption %	Reason	Change in Policy Liabilities $'000	Change %
Ordinary Life				
Expenses per policy	53.33	Updated expenses study performed	7,259	0.04
Inflation	(5.74)	Observed changes in Retail Price Index	(8,340)	(0.05)
Valuation interest curve	(1.86)	Treasury yields, Implement QIS equity yield cap guidelines	14,264	0.08
		Updated lapse study performed	(3,389)	-0.02
Universal Life				
Expenses per policy	53.33	Updated expenses study performed	51,025	0.28
Inflation	(5.74)	Observed changes in Retail Price Index	(102,992)	(0.57)
Valuation interest curve	(1.86)	Treasury yields, Implement QIS equity yield cap guidelines	54,971	0.30
		Updated lapse study performed		
Accumulation Annuities				
Expenses per policy	53.33	Updated expenses study performed	132,894	0.74
Inflation	(5.74)	Observed changes in Retail Price Index	(290,494)	(1.61)
Valuation interest curve	(1.86)	Treasury yields, Implement QIS equity yield cap guidelines	489,304	2.71

16. **Insurance Contracts** (continued)

16.2 **Long-term and short-term life insurance contracts - assumptions and sensitivity** (continued)

b) Change in assumptions (continued)

Assumption	Change in Assumption %	Reason	Change in Policy Liabilities $'000	Change %
Payout Annuities				
Expenses per policy	(18.49)	Updated expenses study performed	6,918	0.04
Inflation	(5.74)	Observed changes in Retail Price Index	(25,380)	(0.14)
Valuation interest curve	(1.86)	Treasury yields, Implement QIS equity yield cap guidelines	359,216	1.99
		Updated lapse study performed		
Total impact of changes in assumptions			685,256	

Expense per Policy Change = (2009 Expense – 2008 Expense) / 2008 Expense

Inflation Change = (Average 2009 inflation rate – Average 2008 inflation rate)

Valuation Interest Rate Change = (Average 2009 valuation interest rate – Average 2008 valuation interest rate)

Lapse Rate Change = (Average 2009 lapse rate – Average 2008 lapse rate)

16. Insurance Contracts (continued)

16.2 Long-term and short-term life insurance contracts - assumptions and sensitivity (continued)

c) *Sensitivity analysis*

The following tables present the sensitivity of the value of insurance liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance liabilities.

As at December 31, 2009

Variable	Change in Variable	Change in Policy Liabilities $'000	Change %
Parallel shift of valuation	100 basis points	669,318	12.74
Change in per-policy maintenance expense	10%	83,841	1.60
Change in rate of inflation	100 basis points	95,128	1.81
Change in lapse rate	100 basis points	5,231	0.10
Change in mortality rate	10%	71,380	1.36

As at December 31, 2008

Variable	Change in Variable	Change in Policy Liabilities $'000	Change %
Parallel shift of valuation interest curve	100 basis points	787,227	4.62
Change in per-policy maintenance expense	10%	38,508	0.23
Change in rate of inflation	100 basis points	56,632	0.33
Change in lapse rate	100 basis points	9,509	0.06
Change in mortality rate	10%	46,234	0.27

16. Insurance Contracts (continued)

16.3 Movement in insurance liabilities

a) Long-term insurance contracts with fixed terms and guaranteed amounts

Year ended December 31	2009 $'000	2008 $'000
At beginning of year	4,800,096	1,043,967
Premiums received in the year	696,541	560,685
Liabilities released for payments on death and other terminations in the year	(285,436)	(427,335)
Change in actuarial assumptions	-	2,042,528
Investment income	27,364	672,940
Other movements	55,633	907,311
At end of year	5,294,198	4,800,096

Amount of liabilities ceded to reinsurers $4.4 million (2008: $7.8 million).

b) Short-term insurance contracts with fixed terms and guaranteed amounts

	2009 $'000	2008 $'000
At beginning of year	24,730	21,787
Premiums received in the year	94,993	37,440
Liabilities released for payments on death, surrender, and other terminations in the year	(80,798)	(16,103)
Change in actuarial assumptions	(1,800)	-
Investment income	77	1,859
Other movements	(8,978)	(20,253)
At end of year	28,224	24,730

Amount of liabilities ceded to reinsurers $1.7 million (2008: $3.4 million).

17. Investment Contracts

	2009 $'000	2008 $'000
Managed fund	623,761	538,063
Deposit administration contracts	342,365	366,876
EFPA Investment Contracts	11,776,488	12,946,239
	12,742,614	13,851,178

The benefits offered under the Company's investment contracts are mainly based on the return of the assets of the Company. This investment mix is unique and cannot be replicated by any benchmark indicator or combinations thereof with sufficiently high correlation to the assets of the Company. The Company communicates the performance of these contracts, by the change in the unit values in the case of the Managed Fund and by the rate of interest credited in the case of other investment contracts.

The maturity value of these financial liabilities is determined by the fair value of the Company's assets at maturity date. There will be no difference between the carrying amount and the maturity amount at the valuation date.

The assets backing Managed Fund liabilities are included within the relevant balances in the balances sheet. The carrying values of assets backing these liabilities are as follows:

	2009 $'000	2008 $'000
Quoted equity securities	413,833	409,505
Government securities	45,576	41,800
Due from related party	34,946	41,171
Cash and cash equivalents	3,550	-
Less provision for impairment	(34,946)	-
	462,959	492,476

18. Borrowings

	2009	2008
i. First Citizens Bank Limited	201,318	-
ii. Trinidad and Tobago Unit Trust Corporation	144,698	-
iii. Finance lease obligations.	1,055	-
iv. Angostura Holdings Limited	-	192,995
	347,071	192,995

18. Borrowings (continued)

The terms and conditions of borrowings are as follows:

i. This US$32 million First Citizens Bank loan is for the period of five (5) years maturing in 2013 and is secured by a basket of equity securities. Interest is payable quarterly at First Citizens US$ Prime less 2% per annum (8%). Principal is repayable via bullet payments at maturity.

ii. This Unit Trust of Trinidad and Tobago loan of US$23 million is for the period of six (6) years maturing in 2014 and is secured by a basket of equity securities and real estate. Principal and interest are payable quarterly with effective interest rates of 7.375% until November 2010 and thence 6.6875%.

iii. The Finance Lease obligations consists of a motor vehicle lease secured in February 2009 with Ansa Merchant Bank Limited valued at TT$361,416 and lease of land at TT$764,945.

iv. The Angostura Holdings limited Loan note was due for payment December 2009. This payment is still outstanding and has been reclassified as due to related parties.

19. Debt Securities Issued

	2009 $'000	2008 $'000
Proceeds from issue of redeemable preference shares	1,892,779	-

During the year 1,893 thousand redeemable preference shares were issued with a par value of $1 per share (2008: nil). All issued shares are fully paid. Redeemable preference shares do not carry the right to vote and rank equally with other shares with regard to the Company's residual assets, except that holders of redeemable preference shares participate only to the extent of the face value of the shares.

These redeemable preference shares carry an annual dividend rate of 4.75 percent of the par amount.

20. Bank Overdraft and Short-term Borrowings

	2009 $'000	2008 $'000
Bank overdrafts	6,322	3,628
Short term borrowings	422,980	2,131,839
	429,302	2,135,467

20. Bank Overdraft and Short-term Borrowings (continued)

	2009 $'000	2008 $'000
Short-term borrowings comprise:		
i. CLICO Investment Bank Limited	-	1,469,309
ii. Republic Bank Limited	-	69,890
iii. Other short term loans	422,980	592,640
	422,980	2,131,839

Included in other short term loans were Repurchase agreements made with First Citizens Bank, Promissory Notes with First Citizens Investment Services Limited and a short term loan with Home Mortgage Bank limited. These loans, excluding Home Mortgage Bank Limited, bear interest at rates between 5.0% and 7%. Home Mortgages' loan carries a rate of 13%.

21. Due to Related Parties

	2009 $'000	2008 $'000
Current accounts with related parties are as follows:		
Subsidiaries	3,563	-
Associates	1,770,183	102,645
Affiliates	177,195	138,753
	1,950,941	241,398

22. Mutual Fund Obligation

The Company is the advisor, manager and distributor of the Colonial Life Family of Funds.

The Company has guaranteed the principal and interest to the unit holders of the Core (Series VI) and Power (Series VI) Funds. The guarantee is for the principal and for a specified interest rate of return over a specified period of time.

The Company has a liability of $1,481 million (2008: $1,389 million), which is an estimate of the liability that the Company is exposed to, should the Core (Series VI) and/or Power (Series VI) not perform to the level of the guarantee.

In 2006, the Company transferred all risks and rewards associated with the Mutual Fund interest rate guarantee to CL Financial Limited.

The management fee of $10.4 million (2008: $5.3 million) including guarantee fee represents the income received from unit holders and administration fees, net of commissions paid on acquisition of subscriptions.

23. Trade and Accounts Payable

	2009 $'000	2008 $'000
Sundry creditors and accruals	124,862	126,690
Provisions	65,998	131,504
	190,860	258,194

Provisions have been recorded at the reporting date to recognise contingent liabilities which were likely to result in a future outflow of economic benefits.

The Company had guaranteed a loan from a third party to the Parent Company in the amount of $154 million. At the reporting date the balance owing on this loan was $66 million. The Company has made $16 million of payments on this loan in 2009.

24. Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method using substantially enacted tax rates between 0% and 25%.

	2009 $'000	2008 $'000
At beginning of year	22,435	46,742
Credited to equity	(2,725)	(25,320)
Charged to income statement	2,176	1,013
At end of year	21,886	22,435

Deferred tax assets and liabilities, deferred tax charge (credit) in the revenue accounts and income statement are attributable to the following items:

	As at 31.12.2008 $'000	Credit to Equity $'000	Charge to Income $'000	As at 31.12.2009 $'000
Deferred taxation liabilities				
Accelerated tax depreciation	17,753	-	(230)	17,523
Retirement Benefit	3,832	-	2,406	6,238
Short term reserves and unexpired risks	357	-	-	357
Unrealised gains on investments	493	(2,725)	-	(2,232)
	22,435	(2,725)	2,176	21,886

24. Deferred Taxation (continued)

	As at 31.12.2007 $'000	Credit to Equity $'000	Charge to Income $'000	As at 31.12.2008 $'000
Deferred taxation liabilities				
Accelerated tax depreciation	16,320	-	1,433	17,753
Retirement Benefit	4,252	-	(420)	3,832
Short term reserves and unexpired risks	357	-	-	357
Unrealised gains on investments	25,813	(25,320)	-	493
	46,742	(25,320)	1,013	22,435

25. Net Insurance Premium Revenue

	2009 $'000	2008 $'000
Long-term insurance contracts		
Premiums (net of refunds and taxes)	761,074	654,359
Premium revenue ceded to reinsurance	(4,377)	(7,761)
Net insurance premium revenue	756,697	646,598
Short-term insurance contracts		
Premiums (net of refunds and taxes)	34,145	40,831
Premium revenue ceded to reinsurance	(1,733)	(3,391)
Net insurance premium revenue	32,412	37,440
	789,109	684,038

26. Net Insurance Benefits and Claims

	2009 $'000	2008 $'000
Long-term insurance contracts		
- Death, maturity and surrender benefits	30,819	36,482
- Pensions and lump sum benefits	233,183	225,004
- Other terminations	1,016	5,660
	265,018	267,146
Short-term insurance contracts		
- Death claims	73,416	14,648
Net insurance benefits	338,434	281,794

27. Investment Income

	2009 $'000	2008 $'000
Interest income		
Short-term deposits	16,203	-
Companies securities	1,420	-
Government securities	50,800	77,917
Loans and advances	5,222	5,545
Debt securities	1,876	14,236
Dividend income		
Company securities	440,139	428,628
Gain (loss) on sale of investments and other assets		
Property, plant and equipment	(1,099)	(58)
Government securities	(77)	(443)
Company securities	(160,684)	22,688
Rental income (net)	11,463	4,127
Other income		
Bank accounts	778	3,103
Other income	1,980	2,420
	368,021	558,163

28. Net Fair Value Loss on Assets at Fair Value through profit or loss

	2009 $'000	2008 $'000
Fair value loss on investment property	(23,582)	(57,390)
Fair value gain on financial assets at fair value through profit or loss	8,060	43,721
	(15,522)	(13,669)

29. Impairment Losses

The Company has recognised impairment losses as follows:

	2009	2008
Fixed deposits – Clico Investment Bank	-	2,539,090
Corporate bond – Clico Investment Bank	-	497,976
Current accounts	1,529,543	2,304,087
Investment securities: unquoted equity securities	185	330,196
Debenture – CL Financial Limited	1,141,600	-
Loans and receivables: promissory notes	65,246	296,471
Investment in associates	380,975	62,161
Investment in subsidiaries	-	29,255
Impairment of non-financial assets	-	40,062
	3,117,549	6,099,298

Note 5.3.1 to these financial statements provide additional information about the credit quality of monetary financial assets at the reporting date. Impairment losses recognised represent management's best estimate of the impact of identified loss events on the future cashflows expected from financial assets.

Impairment losses were recorded on financial assets held with CLICO Investment Bank (CIB) (a fellow subsidiary) to the extent of the Company's liabilities with CIB. All other financial assets were assessed based on the future viability of the companies and expected recoverability of amounts owed.

Arrangements are being made by senior management to ensure unimpaired amounts are recovered through restructuring of loan agreements and/or formulation of new ones.

29. Impairment Losses (continued)

Subsequent to partial provisions made in 2008 it was determined that insufficient information has been made available to determine whether outstanding amounts on related party current accounts are collectible and as such the balance of current accounts were impaired during 2009.

Also subsequent to the transfer of MHTL and MHIL to CLICO by CLF no further indications were given that any further payments on the current account would be made resulting in management impairing the balance of the current account.

Management also impaired the debenture due from CLF due to the Parent Company's inability to effectively service the debt.

30. Expenses for Marketing and Administration

	2009 $'000	2008 $'000
Employee costs	30,501	114,981
Marketing	11,631	52,198
Professional fees	20,446	41,837
Depreciation	27,685	31,352
Directors fees	572	40
Repairs and maintenance	10,114	10,502
Exchange losses	50,443	51,324
Bad debts	430	801
Other	50,567	82,017
	202,389	385,052

31. Investment Contract Expenses

Deposit Administration	2,206	53,392
Managed Fund	98,474	46,523
EFPA reclassification	1,214,964	1,020,268
	1,315,644	1,120,183

32. Finance Costs

	2009 $'000	2008 $'000
Interest on securitised borrowings	-	108,642
Interest on short term borrowings	48,050	83,199
Interest on long term borrowings	36,962	-
Interest on debt securities	15,026	-
Bank charges and other finance costs	125,403	30,415
	225,441	222,256

33. Taxation

		2009 $'000	2008 $'000
Current tax	- current year	3,539	2,951
	- prior year	-	25,817
Green fund levy	- current year	1,181	1,252
	- prior year	-	7,446
		4,720	37,466
Deferred tax		2,178	1,013
		6,898	38,479
Loss before taxation		(4,727,401)	(9,470,011)
Tax calculated at the rate		(1,181,850)	(2,367,503)
Tax effect of different tax rates on lines of business		40,421	99,115
Tax effect of income not subject to tax		(16,145)	(78,938)
Tax effect of expenses not deductible		1,160,203	1,650,423
Green fund levy		1,181	8,698
Prior year tax under accruals		-	25,817
Other differences		3,088	700,867
Tax charge		6,898	38,479

34. Related Party Balances and Transactions

At the year end the Company was 51% owned by C L Financial Limited. A number of transactions are entered into with related parties in the normal course of business. The related party balances and transactions for the year are as follows:

	2009 $'000	2008 $'000
Balance Sheet - Assets		
Fellow Subsidiary Companies		
Investment in associates	4,588,166	9,642,716
Investment in subsidiaries	174,005	187,261
Available-for-sale financial assets – equity securities	-	294,760
Financial assets at fair value through profit or loss	223,206	210,105
Due from related parties	(486,044)	963,999
Loans and other receivables –accrued investment income	12,470	15,376
Loans and other receivables – promissory notes and other	86,141	1,793,311
Bank and short-term deposits	114,875	359,716
Associated Companies		
Investment in associates	247,668	312,052
Financial assets at fair value through profit or loss	31,677	34,402
Subsidiary Companies		
Investment in subsidiaries	5,008,998	-
Parent Company		
Investment securities	1,639,576	1,141,600
Due from related parties	2,033,943	585,837
Government		
Investment securities	704,991	-
Financial assets at fair value through profit or loss	45,576	-
Other Related Parties		
Investment securities	54,979	8,124
Available-for-sale financial assets – debt securities	192,161	186,602
Loans and other receivables	-	5,674
Due from related parties – Mutual funds	701,826	628,440
Total related party assets	15,374,214	16,369,975

34. Related Party Balances and Transactions (continued)

	2009 $'000	2008 $'000
Balance Sheet - Liabilities		
Fellow Subsidiary Companies		
Insurance contracts	51,631	552,767
Borrowings	162,195	192,995
Short term loans	1,534,206	1,669,296
Due to related parties	1,950,941	241,398
Trade and accounts payable	3,137	4,475
Other Related Parties		
Insurance contracts	2,401	-
Mutual fund obligation	1,481,248	1,389,163
Short term loans	22,494	118,913
Trade and accounts payable	5,167	5,167
Total related party liabilities	5,213,420	4,174,174
Net assets with related parties	10,160,794	12,195,801
Income Statement - Income		
Fellow Subsidiary Companies		
Premium income	395	230,947
Investment income – interest on bonds, debentures and fixed deposits	47,244	330,558
Investment income – dividends received	378,645	499,396
Associated Companies		
Investment income – dividends received	11,399	15,232
Investment income – gain on sale of available for sale asset	16,511	23,384
Parent Company		
Investment income – interest earned	-	136,992
Other Related Parties		
Investment income – interest earned	13,802	13,840
Guarantee fee income	5,259	5,259
Premium income	250	-
Total income	473,505	1,255,608

34. Related Party Balances and Transactions (continued)

	2009 $'000	2008 $'000
Income Statement - Expenses		
Fellow Subsidiary Companies		
Net insurance benefits	3,242	285,469
Medical services	396	1,548
Marketing	483	83
Repairs and maintenance	2,212	1,175
Other	14,765	3,142
Finance costs	29,500	190,723
Associated Companies		
Advertising expense	483	987
Other Related Parties		
Consultancy fees	2,210	19,406
Finance costs –promissory note	4,289	9,341
Total Expenses	57,580	511,874
Net Income	415,925	743,734
Key Management Compensation		
Salaries and other short-term benefit	3,515	4,225

35. Retirement Benefit

The amounts recognised in the statement of financial position are determined as follows:

	2009 $'000	2008 $'000
Present value of funded obligations	99,976	133,320
Fair value of plan assets	(189,386)	(182,538)
	(89,410)	(49,218)
Unrecognised actuarial losses	12,599	(24,496)
Unutilisable asset	-	24,496
Pension fund assets	(76,811)	(49,218)

35. Retirement Benefits (continued)

The movement in the defined benefit obligation over the year is as follows:

	2009 $'000	2008 $'000
Beginning of year	133,320	127,129
Current service cost	5,665	8,296
Interest cost	10,412	9,325
Actuarial (gains) losses	(37,282)	18,426
Benefits paid	(12,139)	(29,856)
End of year	99,976	133,320

The movement in the fair value of plan assets over the year is as follows:

Beginning of year	182,538	184,499
Expected return on plan assets	12,605	12,223
Actuarial (losses) gains	(732)	5,920
Contributions	7,114	9,752
Benefits paid	(12,139)	(29,856)
End of year	189,386	182,538

The amount recognised in the income statement is as follows:

Current service cost	3,078	4,750
Interest cost	10,412	9,325
Expected return on plan assets	(12,605)	(12,223)
Net actuarial gains recognized in year	345	-
(Decrease) increase in unutilisable asset	(24,296)	12,506
Total included in staff costs	(23,066)	14,358

The actual return on plan assets for the year is $18,476,000 (2008: $18,143,000).

	2009 $'000	2008 $'000
Total expense	(23,066)	14,358
Employer contributions paid	(4,527)	(6,206)
Movement of (deficit) surplus in Managed Fund	(27,593)	8,152

35. Retirement Benefits (continued)

The principal actuarial assumptions used for accounting purposes were:

	2009	2008
Discount rate - Pre retirement	8.0%	8.0%
- Post retirement	7.5%	7.0%
Expected return on plan assets	7.0%	7.0%
Future salary increases	6.0%	6.0%
Expected rate of pension increases	3.0%	3.0%

36. Discontinued Operations

In May 2009 the Cayman Island Monetary Authority appointed controllers for CLICO's Cayman branch. The operation effectively ceased to exist in November 2009 with the notice of the cessation of business. The Controllers effectively liquidated all the assets of Cayman branch to settle liabilities. At the end of the process a claim against CLICO regarding the Cayman Non-resident EFPI policyholders remains. The carrying value of these liabilities amount to $20.2 million as at December 31 2009 and is included as part of CLICO's liabilities on this date.

	2009 $'000	2008 $'000
Results of discontinued operation		
Revenue	21,105	110,132
Expenses	(59,893)	(69,917)
Results from operating activities	(38,788)	40,215
Income tax	-	-
Results from operating activities, net of tax	(38,788)	40,215
(Loss) profit for the year	(38,788)	40,215

	2009 $'000
Cash flows used in discontinued operation	
Net cash used in operating activities	(89,597)
Net cash flows for the year	(89,597)

36. Discontinued Operations (continued)

	2009 $'000
Effect of disposal on the financial position of the Company	
Property, plant and equipment	(17,120)
Trade and other receivables	(21,945)
Cash and cash equivalents	(89,597)
Policy holders reserve	82,478
Trade and other payables	46,184
Net assets and liabilities	-

37. Disposal of Subsidiary

On December 1, 2009, a subsidiary company, B.S. Hosein, entered voluntary liquidation. At the year end, BS Hosein's Statement of Accounts with the Liquidators was as follows:

	2009 $'000
Receipts	89
Payments	
- Refund of retainer fee	(25)
- Dividend to CLICO	(21)
- Liquidator's fees	(43)
Outstanding creditors –CLICO	1,615

38. Prior Year Adjustment

The prior year adjustment arose to reflect the effects of:

1) A change in accounting policy in 2009. This change involves accounting for changes in the actuarial determined insurance and investment contract values through the Income Statement as opposed to Reserves. The figure of $760,682,000 represents the accumulated value of these actuarial determined changes until December 31, 2007.

2) A change in the classification of the Company's EFPA, GAAPP and GAP products. Previously these were accounted for as insurance contract and are now classified as investment contracts in accordance with IFRS 4. The figure of $991,933,000 represents the increase in the accumulated value of the EFPA, GAAPP and GAP products as at December 31, 2007 due to a change in valuation methodology based on the change in contract classification.

39. Contingent Liabilities and Commitments

a) The Company has guaranteed a loan from a third party to a related party in the amount of US$245 million. This loan has been restructured late in 2010 and is currently being serviced. The current balance is approximately US$227 million. Management has assessed that it is not possible at this time to determine if any what the value of the guarantee would be if exercised.

b) The Company has guaranteed a loan from a third party to a related party in the amount of US$16.7 million. The loan is currently in default but the third party and the related party are currently in negotiations to restructure the facility. The third party has written to the Company reminding of its role as a guarantor.

c) The Company has guaranteed a loan from a third party to a related party in the amount of TT$219 million. The loan is currently in default but the third party and the related party are currently in negotiations to restructure the facility. The third party has written to the Company reminding of its role as a guarantor.

d) The Company has provided two performance guarantee to third parties on behalf of related parties. At the balance sheet date all performance obligations have been met. Management has assessed that it is not likely that there will be a significant outflow of economic benefit in relation to this contingency.

e) The Company has given a guarantee to the Supervisor of Insurance Barbados agreeing to indemnify policyholders against any losses suffered as a condition of the transfer of its long term portfolio to a fellow subsidiary incorporated in Barbados. Management has assessed that it is not likely that there will be a significant outflow of economic benefits in relation to this contingency.

f) There were a number of legal proceedings pending against the Company at the balance sheet date. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

g) Future minimum lease payments under non-cancellable operating leases are:

	Within 1 year $'000	1-5 Years $'000	Over 5 Years $'000	Total $'000
Operating lease commitments	11,613	11,041	8,650	31,304

At the balance sheet date tax audits were pending and ongoing for several years of income. Management has assessed that it is not possible at this time to determine whether the final outcome of these matters will differ significantly from the amounts originally recorded.

40. Events after the Reporting Date

a. In accordance with the Memorandum of Understanding signed in January 2009 the GORTT issued $3,099 million in Government bonds in February 2010 to further finance the restructuring of CLICO. In consideration for the funding CLICO issued 3,099,971,000 cumulative preference shares to the Government of Trinidad and Tobago. These preference shares are valued at $1 each bearing a dividend rate of 4.75% per annum.

b. On September 8, 2010 the Minister of Finance in his 2011 Budget Presentation proposed a plan to further address the issue of CLICO's restructuring. The Minister's plan highlighted three key features:

- To separate the Life Insurance, Pension, Annuity and Group businesses (traditional insurance business) from the EFPA, GAAPP, GAP businesses and CSI Series 6 mutual fund guarantees.

- To eventually merge the separated traditional insurance business of CLICO with the traditional insurance business of British American, with the merged entity eventually prepared for divestment.

- The EFPA, GAAPP and GAP policyholders together with holders of CSI Series 6 mutual fund guarantees will be paid an initial partial payment to a maximum of $75,000. Policyholders with balances in excess of $75,000 will be paid the balance through Government IOUs amortised over 20 years at zero interest. Options to monetise the IOUs before the maturity dates will be made available via encashment at various financial institutions or conversion to security instruments which can then be sold. The values applied to EFPA, GAAPP, GAP and CSI Series 6 mutual funds for the payout plan would be the values as at the last renewal date.

  The first phase of the pay-out was started in March 2011 with payments to policyholders with balances under $75,000.

  The second phase of the pay-out to policyholders with policies over $75,000 in value was started December 1, 2011. Thus far, 25% of invited EFPA policyholders have taken up the offer which accounts for 30% of the principal balance of EFPA, GAAPP and GAP policies that are scheduled for payments.

c. On September 17, 2011 the Parliament of Trinidad and Tobago passed the Central Bank (Amendment) Bill 2011. This amendment, to apply to all institutions subject to emergency State intervention, effectively stayed all legal actions against CLICO while the Company operated under the provisions of Section 44 (D). The stay continues to apply once the Court is satisfied that it is necessary in so far as any legal action against CLICO constitutes a risk to the national good.

40. Events after the Reporting Date (continued)

d. The Trinidad and Tobago Stock Exchange's Board took a decision to resume trading in Angostura Holding Limited's ordinary shares effective February 14, 2011, after trading was suspended on July 13, 2009.

e. A request for arbitration was submitted during 2009 to the International Chamber of Commerce (ICC) by Ibis Asset Management Limited and two of its Directors claiming payment of outstanding capital contributions from CLICO and invoices for advisory services provided to CLICO and CLF. This claim was settled at no financial loss to CLICO in June 2010.

f. In November 2009 legal action was brought against the Company claiming default of a confidential settlement agreement. The total claim is in excess of US$7.5 million. This claim was settled for US$4.311 million in March 2011.

41. Principal Associated Undertakings

Quoted	Country of Origin	Activity
Republic Bank Limited	Trinidad and Tobago	Banking
One Caribbean Media Limited	Trinidad and Tobago	Media
Angostura Holdings Limited	Trinidad and Tobago	Beverage Manufacturing
LJ Williams Limited	Trinidad and Tobago	Trading
Unquoted		
Home Construction Limited	Trinidad and Tobago	Construction
CL WorldBrands Limited	United Kingdom	Beverage Manufacturing
Burn Stewart Distillers Limited	United Kingdom	Beverage Manufacturing
IBIS Cedar (Cayman) Limited	Cayman Islands	Forestry Management
IBIS Caroni (Cayman) Limited	Cayman Islands	Utilities Infrastructure
IBIS Kapok (Cayman) Limited	Cayman Islands	Forestry Insurance

42. Principal Subsidiary Undertakings

Unquoted	Country of Origin	Activity
CL Infinity (BVI) Limited	British Virgin Islands	Investment Holdings
Occidental Investments Ltd	Trinidad and Tobago	Real Estate
Oceanic Properties Ltd	Trinidad and Tobago	Real Estate
Methanol Holdings (Trinidad) Limited	Trinidad and Tobago	Energy - Methanol
Methanol Holdings International Limited	St. Kitts and Nevis	Energy - Methanol

43. Assets Pledged

Every company registered under the Insurance Act 1980 to carry on long-term insurance business is required to establish and maintain a statutory fund in respect of that business.

The Company is required to place in trust in Trinidad and Tobago, assets equal to its liability and contingency reserves with respect to its Trinidad and Tobago policyholders established by the balance sheet of the Company as at the end of its financial year.

a) Approximately $3,408 million (2008: $5,513 million) of investments in associated companies are pledged to the order of the Inspector of Financial Institutions in Trinidad and Tobago and approximately $1,372 million (2008: $1,649 million) are pledged as security for various bank overdrafts, short term and long term loans. This includes $895 million (2008: $1,036) pledged against collateralised borrowings due to CLICO Investment Bank Limited.

b) Approximately $1,905 million (2008: nil) of investments in subsidiary companies are pledged to the order of the Inspector of Financial Institutions in Trinidad and Tobago.

c) Fixed deposits pledged to the order of the Inspector of Financial Institutions in Trinidad and Tobago under the provisions of the Trinidad and Tobago Insurance Act, 1980, amounted to approximately $27 million (2008: $812 million). Of the $27 million, fixed deposits of $9 million are held at Republic Bank Limited, an associated company.

d) Approximately $2,300 million (2008: $2,889 million) of other investments are pledged to the order of the Inspector of Financial Institutions in Trinidad and Tobago. Of this $2,300 million, $1,142 million is invested with CL Financial Limited. Approximately $527 million (2008: $370 million) are pledged as security for various bank overdrafts, short-term and long-term loans.

Assets required to be placed in trust are to be so placed not more than one month after the end of the financial year to which the balance sheet relates. Subsequent to December 31, 2009 a further $227 million of assets were pledged to the order of the Inspector of Financial Institution in Trinidad and Tobago.

As at the reporting date, a number of pledges have been released as the Company continues to settle its bank overdrafts, short-term and long-term borrowings. The released assets have been subsequently pledged to the Inspector of Financial Institutions in Trinidad and Tobago.

44. Restatements and Reclassifications

Separate Statement of Financial Position

December 31, 2008	As Previously Reported $'000	Restatement/ Reclassification $'000	As Restated $'000
Property, plant and equipment	447,558	-	447,558
Investment properties	347,077	-	347,077
Investment in associates	9,954,768	-	9,954,768
Investment in subsidiaries	187,262	-	187,262
Investment securities	2,715,577	-	2,715,577
Due from related parties	2,178,262	1,699,320	3,877,582
Loans and other receivables	2,004,596	(1,699,320)	305,276
Retirement benefit	-	49,218	49,218
Taxation recoverable	13,100	-	13,100
Bank and short-term deposits	618,671	-	618,671
Share capital	(7,500)	-	(7,500)
Accumulated deficit	6,272,059	4,459,298	10,731,357
Valuation reserves	(2,348,165)	(3,681,675)	(6,029,840)
Managed fund	-	(181,555)	(181,555)
Insurance contracts	(17,287,891)	12,350,170	(4,937,721)
Investment contracts	(855,721)	(12,995,457)	(13,851,178)
Borrowings	(192,995)	-	(192,995)
Bank overdraft and short-term borrowings	(2,135,467)	-	(2,135,467)
Due to related parties	(241,398)	-	(241,398)
Mutual fund obligation	(1,389,163)	-	(1,389,163)
Trade and accounts payable	(258,194)	-	(258,194)
Deferred taxation	(22,435)	-	(22,435)
	-	-	-

44. Restatements and Reclassifications (continued)

Separate Statement of Financial Position

December 31, 2007	**As Previously Reported $'000**	**Restatement/ Reclassification $'000**	**As Restated $'000**
Property, plant and equipment	465,802	-	465,802
Investment properties	392,679	-	392,679
Investment in associates	10,044,664	-	10,044,664
Investment in subsidiaries	153,782	-	153,782
Investment securities	3,827,409	-	3,827,409
Due from related parties	948,448	673,810	1,622,258
Derivative financial instruments	673,810	(673,810)	-
Loans and other receivables	837,624	-	837,624
Retirement benefit	-	57,370	57,370
Bank and short-term deposits	4,697,795	-	4,697,795
Share capital	(7,500)	-	(7,500)
Retained earnings	(432,098)	1,752,615	1,320,517
Valuation reserves	(5,863,982)	(614,171)	(6,478,153)
Managed fund	-	(146,511)	(146,511)
Insurance contracts	(11,801,182)	9,238,418	(2,562,764)
Investment contracts	(797,420)	(10,287,721)	(11,085,141)
Borrowings	(197,703)	-	(197,703)
Bank overdraft and short-term borrowings	(1,912,035)	-	(1,912,035)
Due to related parties	(211,314)	-	(211,314)
Mutual fund obligation	(673,810)	-	(673,810)
Trade and accounts payable	(95,217)	-	(95,217)
Deferred taxation	(46,742)	-	(46,742)
Taxation payable	(3,010)	-	(3,010)
	-	-	-

44. Restatements and reclassifications (continued)

Separate Statement of Comprehensive Income

December 31, 2008	**As Previously Reported $'000**	**Restatement/ Reclassification $'000**	**As Restated $'000**
Insurance premium revenue	5,351,386	(4,656,196)	695,190
Insurance premium ceded to reinsurers	(11,152)	-	(11,152)
Net insurance premium revenue	5,340,234	(4,656,196)	684,038
Insurance benefits and claims	(3,240,668)	2958,874	(281,794)
Expenses for the acquisition of insurance and investment contracts	(218,071)	-	(218,071)
Change in value of insurance contracts	(2,288,214)	(1,107,011)	(3,395,225)
Underwriting expenses	(5,746,953)	1,851,863	(3,895,090)
Net results from insurance activities	(406,719)	(2,804,333)	(3,211,052)
Investment income	1,103,772	(545,609)	558,163
Net fair value loss on assets at fair value through profit or loss	(13,669)	-	(13,669)
Gain on trading managed fund units	16,826	-	16,826
Administration and asset management fees	6,686	-	6,686
Guarantee fee income	5,259	-	5,259
Impairment losses	(6,644,907)	545,609	(6,099,298)
Other income	18,018	-	18,018
Net results from investing activities	(5,508,015)	-	(5,508,015)
Expenses for marketing and administration	(385,052)	-	(385,052)
Investment contract expenses	(99,915)	-	(99,915)
Revaluation loss on managed fund liability	(43,721)	-	(43,721)
Operating expenses	(528,688)	-	(528,688)
Results of operating activities	(6,443,422)	(2,804,333)	(9,247,755)
Finance costs	(222,256)	-	(222,256)
Operating loss before tax	(6,665,678)	(2,804,333)	(9,470,011)
Taxation	(38,479)	-	(38,479)
Loss for the year attributable to equity holders	(6,704,157)	(2,804,333)	(9,508,490)