Separate Financial Statements of

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

December 31, 2011

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

December 31, 2011

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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, 2011.

I have examined the financial position and valued the policy benefit liabilities of the Company for its balance sheet as at December 31, 2011 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 Draft 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 18,217,630,000 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
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries
Principal & Consulting Actuary
Prescience Insurance Consultants & Actuaries

November 26, 2012
Date

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Chartered Accountants
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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, 2011 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.

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 and for such internal controls as management determines is necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

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 our 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, we consider 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.

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

KPMG

Basis for Qualified Opinion
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 in the period up to January 29, 2009 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, 2011.

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary to guarantees, provisions and contingent liabilities had we been able to satisfy ourselves with respect to the matter 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, 2011 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 further 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 1 to the separate financial statements describes the rescue plan established by GORTT to address a significant portion of the Company's liabilities.

KPMG
Chartered Accountants

April 24, 2013
Port of Spain
Trinidad and Tobago

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Separate Statement of Financial Position

December 31, 2011

	Notes	2011	2010
		$'000	$'000
ASSETS			
Property, plant and equipment	6	371,413	389,647
Investment properties	7	321,038	341,688
Investment in associates	8	5,812,775	4,827,092
Investment in subsidiaries	9	6,535,103	5,557,564
Investment securities	10	3,742,708	3,543,267
Due from related parties	11	1,802,419	1,931,227
Loans and other receivables	12	542,835	428,981
Retirement benefit	34	93,188	81,649
Taxation recoverable		15,123	13,314
Bank and short-term deposits	13	448,935	259,554
Total assets		19,685,537	17,373,983
EQUITY			
Share capital	14	14,750	14,750
Accumulated deficit		(15,713,446)	(16,415,389)
Valuation reserves	15	8,424,423	6,610,452
Net deficit		(7,274,273)	(9,790,187)
LIABILITIES			
Insurance contracts	16	6,091,204	5,382,281
Investment contracts	17	12,175,144	12,665,531
Borrowings	18	924	406,968
Debt securities issued	19	4,992,751	4,992,751
Bank overdraft and short-term borrowings	20	3,939	8,617
Due to related parties	21	1,760,105	1,773,429
Mutual fund obligation	22	1,334,105	1,547,983
Trade and accounts payable	23	571,973	367,121
Deferred taxation	24	29,665	19,489
Total liabilities		26,959,810	27,164,170
Total equity and liabilities		19,685,537	17,373,983

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, 2011

	Notes	2011	2010
		$'000	$'000
Insurance premium revenue		281,812	345,334
Insurance premium ceded to reinsurers		(4,535)	(5,658)
Net insurance premium revenue	25	277,277	339,676
Insurance benefits and claims	26	(393,229)	(405,929)
Expenses for the acquisition of insurance and investment contracts		(12,567)	(18,047)
Change in value of insurance contracts		(708,923)	136,580
Underwriting expenses		(1,114,719)	(287,396)
Net results from insurance activities		**(837,442)**	**52,280**
Investment income	27	1,207,160	872,701
Net fair value gain on assets at fair value through profit or loss		91,517	73,708
(Loss) gain on trading managed fund units		(7,735)	17,499
Administration and asset management fees		7,494	6,958
Impairment writebacks (losses)	28	434,630	(469,632)
Other (expenses) income		(2,245)	2,699
Net results from investing activities		**1,730,821**	**503,933**
Expenses for marketing and administration	29	(158,764)	(72,308)
Investment contract movements	30	429,404	(927,318)
Revaluation loss on managed fund liability		(91,517)	(73,708)
Operating expenses		**179,123**	**(1,073,334)**
Results of operating activities		**1,072,502**	**(517,121)**
Finance costs	31	(352,509)	(387,480)
Operating profit (loss) before tax		719,993	(904,601)
Taxation	32	(18,050)	(6,344)
Profit (loss) for the year attributable to equity holders		**701,943**	**(910,945)**
Other comprehensive income, net of tax			
Revaluation of available-for-sale financial assets		1,802,715	613,879
Tax effect of movements in other comprehensive income		(8,742)	1,927
Total comprehensive income, net of tax		**2,495,916**	**(295,139)**

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, 2011

	Share Capital	Accumulated Deficit	Valuation Reserves	Total
	$'000	$'000	$'000	$'000
Year Ended December 31, 2010				
Balance at January 1, 2010	**14,750**	**(15,504,444)**	**5,980,904**	**(9,508,790)**
Loss for the year	-	(910,945)	-	(910,945)
Other comprehensive income, net of tax				
Revaluation of available-for-sale financial assets	-	-	613,879	613,879
Tax effect of movement in other comprehensive income	-	-	1,927	1,927
Total comprehensive income	-	(910,945)	615,806	(295,139)
Transactions with owners, recorded directly into equity				
Change in trustee's units held in Managed Fund	-	-	13,742	13,742
Balance at December 31, 2010	**14,750**	**(16,415,389)**	**6,610,452**	**(9,790,187)**
Year Ended December 31, 2011				
Balance at January 1, 2011	**14,750**	**(16,415,389)**	**6,610,452**	**(9,790,187)**
Profit for the year	-	701,943	-	701,943
Other comprehensive income, net of tax				
Revaluation of available-for-sale financial assets	-	-	1,802,715	1,802,715
Tax effect of movement in other comprehensive income	-	-	(8,742)	(8,742)
Total comprehensive income	-	701,943	1,793,973	2,495,916
Transactions with owners, recorded directly into equity				
Change in trustee's units held in Managed Fund	-	-	19,998	19,998
Balance at December 31, 2011	**14,750**	**(15,713,446)**	**8,424,423**	**(7,274,273)**

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, 2011

	2011	2010
	$'000	$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit (loss) before taxation	719,993	(904,601)
Adjustments for:		
Depreciation	10,021	25,532
Exchange (gains) losses on translation of non-monetary assets	8	(2,375)
Net fair value gain on assets at fair value through profit or loss	(91,517)	(73,781)
Gain on sale of available for sale assets	(153)	(75,463)
Gain on sale of property, plant and equipment	(504)	(253)
Loss on disposal of investment property	1,174	18
Change in provision for mutual fund obligation	(213,878)	66,735
Impairment (writeback) losses	(434,630)	469,632
Effect of policyholders accepting GORTT offer	(798,845)	851,522
Loss (gain) on trading Managed Fund units	7,735	(17,499)
Revaluation loss on Managed Fund liability	91,517	73,708
Shareholders' funds transferred from Managed Fund	19,998	13,742
	(689,081)	428,917
Change in insurance contracts	708,923	(136,580)
Change in investment contracts	308,458	(928,605)
Change in loans and receivables	(96,306)	(182,128)
Change in retirement benefit asset	(11,539)	(4,838)
Change in trade and account payables	137,087	176,261
Change in amounts due from related parties	343,345	(162,680)
Change in amounts due to related parties	(13,324)	(177,512)
Taxes paid	(7,874)	(8,741)
Net cash from (used in) operating activities	679,689	(995,916)
CASH FLOW FROM FINANCING ACTIVITIES		
(Net repayments to) net proceeds from borrowings	(406,044)	323,681
Net cash (used in) from financing activities	(406,044)	323,681

COLONIAL LIFE INSURANCE COMPANY (TRINIDAD) LIMITED

Separate Statement of Cash Flows (continued)

For the year ended December 31, 2011

	2011	2010
	$'000	$'000
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,684)	(4,046)
Proceeds from sale of property, plant and equipment	11,401	1,468
Proceeds from sale of investment properties	19,476	-
Purchase of investment properties	-	(126)
Change in investment securities	(107,779)	1,018,197
Change in fixed deposits maturing more than 3 months	(138,620)	(1,991)
Net cash (used in) from investing activities	(218,206)	1,013,502
Movement in cash and cash equivalents	55,439	341,267
CASH AND CASH EQUIVALENTS AT START OF YEAR	243,578	(97,689)
CASH AND CASH EQUIVALENTS AT END OF YEAR	299,017	243,578
CASH AND CASH EQUIVALENTS REPRESENTED BY		
Deposits maturing less than three months	142,850	154,219
Cash at bank	160,106	97,976
Bank overdrafts and short-term borrowings	(3,939)	(8,617)
	299,017	243,578

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 and Tobago. The registered offices of the Company and its former parent are located at 29 St Vincent Street, Port of Spain. 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 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.

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. During 2011 the Company commenced the payout process as outlined in the Budget Speech.

The first phase of the pay-out was started in March 2011 with payments to policyholders with balances under $75,000. To date, in terms of value, there has been a 97% take up in this group with the take up representing about 3% of the total EFPA/GAAPP/GAP portfolio value. On the CSI Series 6 portfolio about 87% of the category (in terms of value) has taken up the Government's offer which amounts to about 2% of the entire CSI Series 6 portfolio value.

The second phase of the pay-out to policyholders with policies over $75,000 in value was started December 1, 2011. Thus far, 70% (in terms of value) of the EFPAS/GAAPP/GAP policyholders in this category have taken up the offer. The value of the acceptances in this category represents about 71% of the entire EFPA/GAAPP/GAP portfolio. The acceptance rate in the CSI Series 6 with balances over $75,000 has been about 60% of the category value. This represents about 61% of the total CSI Series 6 portfolio values.

This restructuring plan continued into 2012.

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.

1. General Information (continued)

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 April 24, 2013 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.

(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 17 and 36).

(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.

2. **Basis of preparation** (continued)

(d) Use of estimates and judgements (continued)

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.

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.

(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.

3. Significant Accounting Policies (continued)

(b) Property, plant and equipment (continued)

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.

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.

3. Significant Accounting Policies (continued)

(c) Investment properties (continued)

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.

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).

3. Significant Accounting Policies (continued)

(e) Financial assets and liabilities (continued)

(i) Recognition

The Company initially recognises loans and policy holder's liabilities 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.

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.

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

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

(iii) Classification (continued)

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.

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.

3. Significant Accounting Policies (continued)

(e) Financial assets and liabilities (continued)

(iv) Measurement (continued)

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.

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.

(j) Investment contracts

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Any contract not recognised as an insurance contract under IFRS 4 is classified as an investment contract. The Company's investment contracts are classified as deposit administration contracts, managed fund and EFPA/GAP/GAAPP policies.

3. Significant Accounting Policies (continued)

(j) Investment contracts (continued)

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.

EFPA/GAP/GAAPP policies

This is a flexible single premium accumulation annuity product. GAP policies are coporate owned EFPA and GAAPP policies was a new group of single premium deferred accumulation annuity policies introduced in 2008. The terms of these policies could have been extended at the option of the policyholder for another term and at an interest rate determined by the Company. Additional premiums attracted the prevailing interest rate at the time. The interest owning to policyholders is recorded as an investment contract expense.

(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.

3. Significant Accounting Policies (continued)

(k) Borrowings (continued)

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.

(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.

3. Significant Accounting Policies (continued)

(m) Employee benefits (continued)

Pension obligations (continued)

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.

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 for the 2010 triennial was completed 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) 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, 2011. The Company did not early adopt as permitted, or applied the following standards, amendments and interpretation in preparing these financial statements:

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.

(s) 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.

(t) 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.

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)

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.

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.

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)

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.

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 28.

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 5.3.1 and 28 to these financial statements.

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

4.3 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)

4.3 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, 2011					
Investment in associates	8	5,446,893	365,882	-	5,812,775
Investment securities	10	3,726,840	-	15,868	3,742,708
December 31, 2010					
Investment in associates	8	4,460,922	366,170	-	4,827,092
Investment securities	10	3,526,682	-	16,585	3,543,267

4.4 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

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, the realisation of certain risks and its objectives, policies and processes for measuring and managing risk.

5.1 Risk management framework

As described in Note 1, the Central Bank intervened in the operations of the Company and as such, management and the Board of Directors submitted monthly reports to the Governor of the Central Bank. Day to day management of insurance and financial risks were executed by the Company's management team.

The Board of Directors, has overall responsibility for the establishment and oversight of the Company's risk management framework.

To this end the Board has established its Investment / Asset Recovery Committee and its Audit Committee both of which meet on a regular basis. The Company also has a clear organisational structure with delegated authorities and responsibilities for executive management and senior management.

Management of the Company has worked to manage the effects of certain risks which materialised in 2009. Additionally the Board is working on further developing the governance framework which would allow the Company to effectively manage its risks in the future. Future plans include:

- The establishment of a formal Risk Department within the Company
- The establishment of a formal Compliance Department within the Company.

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.

5.2.1 *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.

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)

(b) Concentration of insurance risk

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

	2011	
	$'000	**%**
Insured benefits per life $'000		
0-200	7,003,389	67.39
201-400	2,189,970	21.07
401-800	605,587	5.83
801-1,000	212,623	2.05
More than 1,001	380,342	3.66
Total	10,391,911	100.00

	2010	
	$'000	**%**
Insured benefits per life $'000		
0-200	7,378,761	66.69
201-400	2,392,440	21.62
401-800	630,186	5.70
801-1,000	228,994	2.07
More than 1,001	434,682	3.92
Total	11,065,063	100.00

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

5.2 **Insurance risk** (continued)

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

(b) *Concentration of insurance risk* (continued)

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.

	2011	
	$'000	**%**
Annuities payable per annum per life		
0-20,000	89,410	53.50
21,000-40,000	34,567	20.68
41,000-80,000	21,533	12.88
81,000-100,000	4,789	2.87
More than 101,000	16,836	10.07
Total	167,135	100.00

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

	2010	
	$'000	**%**
Annuities payable per annum per life		
0-20,000	82,326	53.54
21,000-40,000	32,965	21.44
41,000-80,000	19,449	12.65
81,000-100,000	4,557	2.96
More than 101,000	14,470	9.41
Total	153,767	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. Insurance and Financial Risk Management (continued)

5.2 Insurance risk (continued)

5.2.2 *Long term insurance contracts and long term annuities*

a) Frequency and severity of death claims

Actual Death Claims Compared with Estimated Death Claims

	Expected Claims TT$	Actual Claims TT$
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	14.1 million
2010	15.3 million	17.1 million
2011	14.8 million	8.3 million

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 insura nce 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.

5. Insurance and Financial Risk Management (continued)

5.2 Insurance risk (continued)

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

b) 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.

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.

c) 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.

5. Insurance and Financial Risk Management (continued)

5.2 **Insurance risk** (continued)

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

c) Guaranteed annuity options (continued)

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.

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. Insurance and Financial Risk Management (continued)

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. In 2009 several financial risks materialised resulting in the Central Bank of Trinidad and Tobago intervening under Section 44D of the Central Bank Act as described in Note 1. During 2011 these materialised risks continued to adversely affect the Company. The most important components of this financial risk are credit risk, liquidity risk, interest rate risk, equity price risk and foreign currency risk.

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. This is one of the materialised risk with the Company unable to secure timely repayment on several of its advances.

The Company has a risk grading structure for the financial assets held as at December 31, 2011. 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 and receivables that are past due but not impaired.

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

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (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, 2011				
Investment Securities				
Grade 1	2,997,519	-	-	2,997,519
Grade 2	729,321	-	-	729,321
Grade 3	-	15,868	-	15,868
Grade 4	-	-	1,971,061	1,971,061
Impairment	-	-	(1,971,061)	(1,971,061)
	3,726,840	15,868	-	3,742,708
Due from Related Parties				
Grade 3	-	1,635,700	-	1,635,700
Grade 4	-	-	2,645,208	2,645,208
Impairment	-	-	(2,478,489)	(2,478,489)
	-	1,635,700	166,719	1,802,419
Loans and Other Receivables				
Grade 1	85,867	-	-	85,867
Grade 2	38,400	180,067	-	218,467
Grade 3	159,010	78,482	-	237,492
Grade 4	-	-	403,188	403,188
Impairment	-	-	(402,179)	(402,179)
	283,277	258,549	1,009	542,835
Bank and Short-term Deposits				
Grade 1	448,935	-	-	448,935
Total	4,459,052	1,910,118	167,728	6,536,898

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (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, 2010				
Investment Securities				
Grade 1	2,947,247	-	-	2,947,247
Grade 2	579,435	-	-	579,435
Grade 3	16,585	-	-	16,585
Grade 4	-	-	1,996,704	1,996,704
Impairment	-	-	(1,996,704)	(1,996,704)
	3,543,267	-	-	3,543,267
Due from Related Parties				
Grade 2	167,266	-	-	167,266
Grade 3	-	24,220	5,486,543	5,510,763
Grade 4	-		1,541,958	1,541,958
Impairment	-	-	(5,288,760)	(5,288,760)
	167,266	24,220	1,739,741	1,931,227
Loans and Other Receivables				
Grade 1	93,714	-	-	93,714
Grade 2	43,200	171,574	-	214,774
Grade 3	11,218	108,369	-	119,587
Grade 4	-	-	399,394	399,394
Impairment	-	-	(398,488)	(398,488)
	148,132	279,943	906	428,981
Bank and Short-term Deposits				
Grade 1	259,554	-	-	259,554
Total	4,118,219	304,163	1,740,647	6,163,029

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (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 the year end.

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. Prior to the reporting period, the Company had experienced the materialisation of its liquidity risk in 2009 and 2010. As a result, the Company required funding assistance from the GORTT until Minister of Finance in the Budget Speech for 2011 placed a moratorium on all payments on the Company's EFPA/GAP/GAAPP policies and all payments on the CSI Series 6 Mutual Funds. With the moratorium in place, for the reporting period the Company has managed its liquidity situation with cash generated from its operations without further recourse to the GORTT. The liquidity position was managed mainly by the Finance Department.

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (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 liabilities and Insurance liabilities.

Maturity analysis for non derivative cash flows

As at December 31, 2011

Contractual undiscounted cash flows

	Within 1 Year	1-5 Years	Over 5 Years	Total	Carrying Values
	$'000	$'000	$'000	$'000	$'000
Investment contracts	11,079,024	-	1,096,120	12,099,817	12,175,144
Borrowings	924	-	-	924	924
Debt securities issued	-	-	4,992,751	4,992,751	4,992,751
Bank overdrafts and short term borrowings	3,939	-	-	3,939	3,939
Due to related parties	1,760,105	-	-	1,760,105	1,760,105
Trade and accounts payable	571,973	-	-	571,973	571,973
	13,415,965	-	6,013,544	19,429,509	19,504,836

Expected undiscounted cash flows

	Within 1 Year	1-5 Years	Over 5 Years	Total	Carrying Values
	$'000	$'000	$'000	$'000	$'000
Ordinary life	91,961	184,519	788,666	1,065,146	565,711
FPA	301,478	419,012	5,622,447	6,342,937	2,422,986
Annuities	194,727	955,490	4,222,317	5,372,534	3,064,728
Long term insurance	588,166	1,559,021	10,633,430	12,780,617	6,053,425
Short term insurance	22,133	-	-	22,133	22,133
Deposits and premiums paid in advance	(18,960)	-	-	(18,960)	(18,960)
Claims admitted or intimated but not yet paid	34,606	-	-	34,606	34,606
Grand Total	**625,945**	**1,559,021**	**10,633,430**	**12,818,396**	**6,091,204**

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.2 *Liquidity risk* (continued)

Maturity analysis for non derivative cash flows

As at December 31, 2010

Contractual undiscounted cash flows

	Within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	Total $'000	Carrying Values $'000
Investment contracts	935,299	11,655,685	-	12,590,984	12,665,531
Borrowings	48,454	358,514	-	406,968	406,968
Debt securities issued	-	-	4,992,751	4,992,751	4,992,751
Bank overdrafts and short term borrowings	8,617	-	-	8,617	8,617
Due to related parties	1,773,429	-	-	1,773,429	1,773,429
Trade and accounts payable	367,121	-	-	367,121	367,121
	3,132,920	12,014,199	4,992,751	20,139,870	20,214,417

Expected undiscounted cash flows

	Within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	Total $'000	Carrying Values $'000
Ordinary life	73,136	193,764	898,778	1,165,678	556,867
FPA	339,990	465,715	5,435,041	6,239,746	2,512,721
Annuities	170,089	834,593	3,688,074	4,692,756	2,257,473
Long term insurance	582,215	1,494,072	10,021,893	12,098,180	5,327,061
Short term insurance	29,271	-	-	29,271	29,271
Deposits and premiums paid in advance	(8,396)	-	-	(8,396)	(8,396)
Claims admitted or intimated but not yet paid	34,345	-	-	34,345	34,345
Grand Total	**637,435**	**1,494,072**	**10,021,893**	**12,153,400**	**5,382,281**

5. Insurance and Financial Risk Management (continued)

5.3 **Financial risk** (continued)

5.3.2 ***Liquidity risk*** (continued)

Exposure to liquidity risk (continued)

Maturity analysis for derivative financial assets and liabilities

	Within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	Total $'000
As at December 31, 2011				
Financial Liabilities				
Mutual Fund obligation	699,408	634,697	-	1,334,105
As at December 31, 2010				
Financial Liabilities				
Mutual Fund obligation	434,575	1,113,408	-	1,547,983

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

During 2011 the management of market risk was undertaken mainly at the departmental level. The financial impact from changes in market risk (such as interest rates, equity prices and property values) was reviewed at the end of 2011. 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 2011.

5. Insurance and Financial Risk Management (continued)

5.3 **Financial risk** (continued)

5.3.3 ***Market risk*** (continued)

Management of market risk (continued)

- *Equity price risk*

  The Company is subject to equity price risk due to daily changes in market values of its equity securities portfolio. Unquoted equities are also valued on an annual basis using methodologies outlined in Note 3 (e).

  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.

- *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 and Finance Department 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 that interest income and capital redemptions from the financial assets backing the liabilities are insufficient to fund the guaranteed benefits payable.

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (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, 2011					
Assets					
Property, plant and equipment	-	-	-	371,413	371,413
Investment properties	-	-	-	321,038	321,038
Investments in associates	-	-	-	5,812,775	5,812,775
Investments in subsidiaries	-	-	-	6,535,103	6,535,103
Investment securities	242,555	19,498	2,735,466	745,189	3,742,708
Due from related parties	-	-	-	1,802,419	1,802,419
Loans and other receivables	94,368	97,896	226,194	124,377	542,835
Retirement benefit	-	-	-	93,188	93,188
Taxation recoverable	-	-	-	15,123	15,123
Cash and cash equivalents	448,935	-	-	-	448,935
	785,858	117,394	2,961,660	15,820,625	19,685,537
Liabilities					
Insurance contracts	280,061	264,909	2,672,694	2,873,540	6,091,204
Investment contracts	11,079,024	-	355,240	740,880	12,175,144
Borrowings	924	-	-	-	924
Debt securities issued	-	-	4,992,751	-	4,992,751
Bank overdraft and short-term borrowings	3,939	-	-	-	3,939
Due to related parties	-	-	-	1,760,105	1,760,105
Mutual fund obligation	-	-	-	1,334,105	1,334,105
Trade and accounts payable	-	-	-	571,973	571,973
Deferred taxation	-	-	29,665	-	29,665
	11,363,948	264,909	8,050,350	7,280,603	26,959,810
Periodic GAP	**(10,578,090)**	**(147,515)**	**(5,088,690)**	**8,540,022**	**(7,274,273)**
Cumulative GAP	**(10,578,090)**	**(10,725,605)**	**(15,814,295)**	**(7,274,273)**	**-**
As at December 31, 2010					
Total assets	287,164	224,553	2,985,221	13,877,045	17,373,983
Total liabilities	362,556	12,382,688	7,598,528	6,820,398	27,164,170
Periodic GAP	**(75,392)**	**(12,158,135)**	**(4,613,307)**	**7,056,647**	**(9,790,187)**
Cumulative GAP	**(75,392)**	**(12,233,527)**	**(16,846,834)**	**(9,790,187)**	**-**

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

5. Insurance and Financial Risk Management (continued)

5.3 **Financial risk** (continued)

5.3.3 ***Market risk*** (continued)

Management of market risk (continued)

- *Currency risk*

The Company has assets and liabilities denominated in foreign currencies and as a result is exposed to foreign currency exchange risk arising from fluctuations in exchange rates. The Company does not hedge its foreign currency revenues as these are substantially retained locally to support the Company's business and meet local regulatory and market requirements.

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, 2011				
Assets				
Property, plant and equipment	371,413	-	-	371,413
Investment properties	321,038	-	-	321,038
Investments in associates	5,446,894	-	365,881	5,812,775
Investments in subsidiaries	5,603,054	932,049	-	6,535,103
Investment securities	3,680,012	1,812	60,884	3,742,708
Due from related parties	482,927	1,319,265	227	1,802,419
Loans and other receivables	362,630	180,071	134	542,835
Retirement benefit	93,188	-	-	93,188
Taxation refundable	15,122	-	-	15,122
Cash and cash equivalents	202,588	223,696	22,652	448,936
	16,578,866	2,656,893	449,778	19,685,537
Liabilities				
Insurance contracts	6,091,204	-	-	6,091,204
Investment contracts	12,175,144	-	-	12,175,144
Borrowings	924	-	-	924
Debt securities issued	4,992,751	-	-	4,992,751
Bank overdraft and short-term borrowings	3,939	-	-	3,939
Due to related parties	276,211	1,483,894	-	1,760,105
Mutual fund obligation	1,334,105	-	-	1,334,105
Trade and accounts payable	571,973	-	-	571,973
Deferred taxation	29,665	-	-	29,665
	25,475,916	1,483,894	449,779	26,959,810
Exchange GAP	**(8,895,050)**	**1,172,999**	**449,778**	**(7,274,273)**

5. Insurance and Financial Risk Management (continued)

5.3 Financial risk (continued)

5.3.3 *Market risk* (continued)

	TT $'000	US $'000	Other $'000	Total $'000
As at December 31, 2010				
Total assets	14,683,150	2,240,408	450,425	17,373,983
Total liabilities	21,288,148	5,397,528	478,494	27,164,170
Exchange GAP	**(6,604,998)**	**(3,157,120)**	**(28,069)**	**(9,790,187)**

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, 2011	58,650	(58,650)
December 31, 2010	(157,665)	157,665

5. Insurance and Financial Risk Management (continued)

5.3 **Financial risk** (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, 2011						
Statement of comprehensive income	158,108	(158,108)	32,104	(32,104)	107,667	(107,667)
Equity	(158,108)	158,108	64,038	(64,038)	1,234,788	(1,234,788)
Sensitivities as at December 31, 2010						
Statement of comprehensive income	168,498	(168,498)	34,169	(34,169)	95,310	(95,310)
Equity	(168,498)	168,498	67,271	(67,271)	1,040,514	(1,040,514)

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. Day to day operational risks were managed by department managers whereas for more significant transactions Board approval was sought.

The Company's Audit Committee has been charged with the responsibility for governing the development and implementation of the Company's risk management methodology and frameworks with the assistance of a consulting Internal Auditor.

5.5 Capital Structure

Further to the events of the January 31, 2009 the Board of CLICO together with the Central Bank and the GORTT are working to eliminate the current capital deficiency where the Company has excess liabilities to assets. The current capital structure of the Company consists of debt; which includes borrowings disclosed in Note 18, debt securities issued disclosed in Note 19, amounts due from Related Parties disclosed in Note 11, 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.

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.

6. Property, Plant and Equipment

	Land and Buildings	Furniture, Fixtures and Equipment	Motor Vehicles	Capital Work in Progress	Software	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Year ended December 31, 2011						
Opening net book amount	331,023	46,595	3,522	8,174	333	389,647
Additions	-	855	20	1,809	-	2,684
Disposals	(7,624)	(9,300)	(1,684)	-	-	(18,608)
Depreciation on disposals	334	6,354	1,023	-	-	7,711
Depreciation charge	(4,392)	(4,709)	(652)	-	(268)	(10,021)
Closing net book amount	319,341	39,795	2,229	9,983	65	371,413
At December 31, 2011						
Cost or valuation	344,059	157,142	5,756	9,983	55,038	571,978
Accumulated depreciation	(24,718)	(117,347)	(3,527)	-	(54,973)	(200,565)
Closing net book amount	319,341	39,795	2,229	9,983	65	371,413
Year ended December 31, 2010						
Opening net book amount	335,464	52,304	5,408	5,096	14,076	412,348
Additions	-	618	350	3,078	-	4,046
Disposals	-	(1)	(2,639)	-	-	(2,640)
Depreciation on disposals	-	-	1,425	-	-	1,425
Depreciation charge	(4,441)	(6,326)	(1,022)	-	(13,743)	(25,532)
Closing net book amount	331,023	46,595	3,522	8,174	333	389,647
At December 31, 2010						
Cost or valuation	351,682	165,588	7,420	8,174	55,038	587,902
Accumulated depreciation	(20,659)	(118,993)	(3,898)	-	(54,705)	(198,255)
Closing net book amount	331,023	46,595	3,522	8,174	333	389,647

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

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

	2011 $'000	**2010 $'000**
Year ended December 31		
Cost	270,067	270,067
Accumulated depreciation	(39,509)	(35,068)
Net book amount	230,558	234,999

As at December 31, 2011 there were no finance leases (where the Company is the lessee) (2010: NIL).

7. **Investment Properties**

	2011 $'000	**2010 $'000**
Year ended December 31		
Opening net book amount	341,688	341,580
Additions	-	126
Disposals	(20,650)	(18)
Closing net book amount	321,038	341,688

Rental income arising from the investment properties owned by the Company amounted to $8.1 million (2010: $6.2 million).

The fair values of investment properties at the year end were determined by management to approximate the amounts reflected in valuations performed during the period July to August 2010 by independent valuators.

8. Investments in Associates

	% Shareholdings 2011	% Shareholdings 2010	2011 $'000	2010 $'000
Available-for-sale				
Quoted at fair value				
Republic Bank Limited - 51,858,299 shares of no par value	32	32	4,998,621	3,952,121
Angostura Holdings Limited - 66,971,877 shares of no par value	32	32	519,032	462,106
One Caribbean Media Limited – 15,285,917 shares of no par value	23	23	175,787	259,861
L.J. Williams Limited – Class A 3,245,694 shares of no par value	7	7	1,299	1,753
L.J. Williams Limited – Class B 10,190,584 shares of no par value	52	52	9,579	11,209
			5,704,318	4,687,050
Managed Fund Assets (see Note 10)			(257,425)	(226,128)
			5,446,893	4,460,922
Unquoted at fair value				
Home Construction Limited 27,558,038 shares of no par value	43	43	380,975	380,975
Plantations Holdings Limited (in receivership) 2,888,789 shares of BD$1 each	34	34	1	1
CL World Brands Limited 42,830,350 shares of no par value	42	42	365,882	366,170
Balance carried forward			746,858	747,146

	% Shareholdings 2011	% Shareholdings 2010	2011 $'000	2010 $'000
8. Investments in Associates (continued)				
Unquoted at fair value (continued)				
Balance brought forward			746,858	747,146
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	35,546
IBIS Kapok (Cayman) Limited 612 shares of no par value	49	49	3,802	3,802
			809,019	809,307
Less provision for impairment			(443,137)	(443,137)
			365,882	366,170
Total			5,812,775	4,827,092

9. Investment in Subsidiaries

Available-for-sale

	% Shareholdings 2011	% Shareholdings 2010	2011 $'000	2010 $'000
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	29,256
Methanol Holdings (Trinidad) Limited 188,834,682 shares of no par value	56.53	56.53	5,429,054	4,725,761
Methanol Holdings International Limited 5,653,700 shares of no par value	56.53	56.53	729,504	657,802
CL Distillers Limited 1 share of no par value	100	-	253,717	-
			6,615,531	5,586,819
Less provision for impairment			(80,428)	(29,255)
Total			6,535,103	5,557,564

10. Investment Securities

	2011 $'000	2010 $'000
Available-for-sale		
Unquoted equity securities	347,352	373,713
Quoted equity securities	149,906	92,077
Debt securities	1,639,576	1,639,576
Government securities	2,955,486	2,904,757
Provision for impairment	(1,971,060)	(1,996,704)
	3,121,260	3,013,419
Managed funds' assets at fair value through profit or loss		
Quoted equity securities		
- Investments in associates (Note 8)	257,425	226,128
- Other equity securities	321,990	261,230
Government securities	42,033	42,490
	621,448	529,848
Total	3,742,708	3,543,267

Debt securities comprise bonds with CL Financial Limited, the Parent Company, of $1,142 million (2010: $1,142 million) and a bond with CLICO Investment Bank Limited, a fellow subsidiary, of $498 million (2010: $498 million).

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

10. Investment Securities (continued)

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, 2010	3,010,150	533,117	3,543,267
Purchases	120,897	-	120,897
Disposals	(72,971)	-	(72,971)
Fair value gains	59,923	91,600	151,523
Foreign exchange losses	(8)	-	(8)
At December 31, 2011	3,117,991	624,717	3,742,708

The investment securities at fair value through profit or loss are managed and are held in internal funds to match against managed funds liability (Note 17) of $741 million (2010: $650 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, 2011	1,971,060	-	1,971,060
As at December 31, 2010	1,996,704	-	1,996,704

11. Due from Related Parties

	2011 $'000	2010 $'000
Current accounts and past due balances with:		
Parent company	1,629,209	2,577,148
Subsidiary companies	-	1,785,231
Fellow subsidiary	4,276,223	1,699,320
Associate companies	-	167,266
Provision for impairment	(4,103,013)	(4,297,738)
	1,802,419	1,931,227

Included in these balances is an amount of $1.699 billion due from CLICO Investment Bank Limited (CIB). This amount is held as a direct offset against an equal amount payable to CIB as outlined in Note 21.

	2011 $'000	2010 $'000
12. Loans and Other Receivables		
Accrued investment income	85,867	93,715
Sundry debtors and prepayments	24,353	31,311
Promissory notes	521,741	387,251
Due from reinsurers	2,294	2,294
Mortgages	114,533	128,858
Policy loans	196,226	184,040
Provision for impairment	(402,179)	(398,488)
	542,835	428,981

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

	Promissory Notes $'000	Mortgages $'000	Policy Loans $'000	Total $'000
As at December 31, 2010	361,716	24,305	12,467	398,488
Increase in provisions	-	-	3,691	3,691
As at December 31, 2011	361,716	24,305	16,158	402,179

	2011 $'000	2010 $'000
13. Bank and Short-term Deposits		
Deposits maturing more than three months	145,979	7,359
Deposits maturing less than three months	142,850	154,219
Cash at bank	160,106	97,976
	448,935	259,554

14. Share Capital

Authorised
An unlimited number of ordinary shares of no par value

Issued 2,950,000 ordinary shares of no par value	14,750	14,750

15. Valuation Reserves

	Managed Funds $'000	Marketable Securities $'000	Land and Buildings $'000	Total $'000
Year ended December 31, 2011				
Balance at December 31, 2010	(174)	6,472,102	138,524	6,610,452
Revaluation of available-for-sale financial assets	-	1,802,715	-	1,802,715
Tax effect of movement in valuation reserve	(13,340)	4,598	-	(8,742)
Change in Trustee's units held in Managed Fund	19,998	-	-	19,998
Balance at December 31, 2011	6,484	8,279,415	138,524	8,424,423
Year ended December 31, 2010				
Balance at December 31, 2009,	(13,495)	5,855,875	138,524	5,980,904
Revaluation of available-for-sale financial assets	-	613,879	-	613,879
Tax effect of movement in valuation reserve	(421)	2,348	-	1,927
Change in Trustee's units held in Managed Fund	13,742	-	-	13,742
Balance at December 31, 2010	(174)	6,472,102	138,524	6,610,452

16. Insurance Contracts

	2011 $'000	2010 $'000
Long Term Insurance Fund - Note 16.3 (a)	6,053,604	5,327,249
Short Term Insurance Fund - Note 16.3 (b)	22,133	29,272
	6,075,737	5,356,521
Deposits and premiums paid in advance	(18,960)	(8,585)
Claims admitted or intimated but not yet paid	34,427	34,345
Total policyholders' liabilities	6,091,204	5,382,281

16.1 Actuarial valuation

The Company's Consulting Actuary, Prescience Insurance Consultants and Actuaries, in their report dated October 12, 2012, 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, 2011 (TT$18,217,630,000) exceeds the aggregate value (as provided by the Company) of the Statutory Fund assets (see Note 39).

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. However, the current Insurance Act of Trinidad and Tobago provides that no policy shall be treated as an asset whereas CPPM allows negative reserves. 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 the Government's pay-out offer (announced in the 2011/2012 Budget) and the suspension of EFPA/GAP/GAAPP transactions, the actuary determined that the lapse experiences of these lines were no longer applicable.

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, 2011
ii. Margined liability cash flows at December 31, 2011
i. 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, 2011 are meant to support the policy liability for Ordinary Long Term Insurance Business, 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 for Assumption	(Decrease) Increase Policy Liabilities ($000)	Percentage of Change
Expenses per policy	2.42%	Updated expenses Study performed	(17,664)	-0.10%
Annuitant mortality	Incorporate CIA mortality improvement scale (130% of CIA table)	Incorporate CIA standard	33,081	0.18%
Annuitant mortality	Incorporate CAA Annuitant morality study results	Incorporate Caribbean industry experience	61,301	0.34%
Annuitant mortality	Update SOA Industry Study	Incorporate SOA industry experience	16	0.00%
Inflation	0.36%	Observed changes in Retail Price Index	41,656	0.23%
Interest Rates	-0.63%	Lower observed Assets returns	483,372	2.66%
Lapses	0.01%	Updated lapse Study performed	172	0.00%

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, 2011

Variable	Change in Variable	Change in Policy Liabilities $'000	Change %
Parallel shift of valuation	100 basis points	839,462	13.87
Change in per-policy maintenance expense	10%	72,193	1.19
Change in rate of inflation	100 basis points	94,005	1.55
Change in lapse rate	100 basis points	(29,614)	-0.49
Change in mortality rate	10%	97,789	1.62

As at December 31, 2010

Variable	Change in Variable	Change in Policy Liabilities $'000	Change %
Parallel shift of valuation	100 basis points	661,208	12.48
Change in per-policy maintenance expense	10%	66,595	1.26
Change in rate of inflation	100 basis points	71,253	1.34
Change in lapse rate	100 basis points	5,592	0.11
Change in mortality rate	10%	77,238	1.46

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

	2011 $'000	2010 $'000
At beginning of year	5,327,249	5,294,198
Premiums received in the year	193,005	259,234
Liabilities released for payments on death and other terminations in the year	(361,968)	(370,973)
Change in actuarial reserves	316,249	(199,113)
Investment income	701,664	412,109
Other movements	(122,595)	(68,206)
At end of year	6,053,604	5,327,249

Amount of liabilities ceded to reinsurers $1.5 million (2010: $1.6 million).

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

	2011 $'000	2010 $'000
At beginning of year	29,272	28,224
Premiums received in the year	84,272	81,531
Liabilities released for payments on death, surrender, and other terminations in the year	(47,952)	(53,009)
Change in actuarial assumptions	(7,139)	1,048
Investment income	2,083	3,814
Other movements	(38,403)	(32,335)
At end of year	22,133	29,273

Amount of liabilities ceded to reinsurers $3 million (2010: $4.1million).

17. Investment Contracts

	2011 $'000	2010 $'000
Managed Fund (Note10)	740,880	649,918
Deposit administration contracts	355,240	359,928
EFPA Investment Contracts	11,079,024	11,655,685
	12,175,144	12,665,531

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 the deposit administration contracts.

EFPA's

In the current year EFPA Investment Contracts have been valued taking into consideration the significant take up of the GORTT's payout offer as at November 2012. As at that time more than 90% of the EFPA policyholders had accepted the Government's offer. The offer involved policyholders accepting a payout value equivalent to the policy value as at the last renewal date before September 10, 2010 less principal withdrawals.

The payout commenced in 2011 and for all acceptances in 2011 the policies, now assigned to the Government, are valued at the payout value. For policies where there has been acceptance in 2012 the policies have also been valued as at December 2011 at the subsequently accepted payout value. The remainder of the EFPA contracts were valued at the fund value basis as determined by the Company's external actuary.

Managed Fund

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

	2011 $'000	2010 $'000
Quoted equity securities	579,415	487,358
Government securities	42,033	42,490
Due from related party	34,946	34,946
Cash and cash equivalents	3,210	3,207
Less provision for impairment	(34,946)	(34,946)
	624,658	533,055

18. Borrowings

	2011 $'000	2010 $'000
i. First Citizens Bank Limited	-	201,318
ii. Trinidad and Tobago Unit Trust Corporation	-	120,411
iii. Finance lease obligations	924	1,555
iv. First Citizens Investment Services Limited	-	83,684
	924	406,968

During 2011 the following facilities were fully repaid:

i. A US$32 million First Citizens Bank loan with an original maturity date in 2013.

ii. A Unit Trust of Trinidad and Tobago loan for US$19 million that was originally to mature in 2014.

iii. A First Citizens Investment Services Limited loan for US$13 million that was to originally mature in 2015.

The facilities that currently exist are outlined below:

i. The Finance Lease obligations consists of a motor vehicle lease with Ansa Merchant Bank Limited valued at TT$158,745 and lease of land at TT$764,945.

19. Debt Securities Issued

	2011 $'000	2010 $'000
Proceeds from issue of redeemable preference shares	4,992,751	4,992,751

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

	2011 $'000	2010 $'000
Bank overdrafts	3,928	8,606
Short term borrowings	11	11
	3,939	8,617

21. Due to Related Parties

Current accounts with related parties are as follows:

	2011 $'000	2010 $'000
Associates	8,441	-
Affiliates	1,751,664	1,773,429
	1,760,105	1,773,429

Part of these balances is an amount of $1.699 billion due to CLICO Investment Bank (CIB). This amount is offset directly against an equal amount receivable from CIB as outlined in Note 11.

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 original guarantee is for the principal and for a specified interest rate of return over a specified period of time.

The Company has a mutual fund obligation liability of $1,334 million in 2011 (2010: $1,548 million). In prior years this value was 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. However this estimate for 2011 is primarily based on the current level of acceptances of the GORTT's pay out offer to Core (Series VI) unit holders. The GORTT's offer values the mutual fund at the value at the last unit anniversary date prior to September 2010. According to the terms of the agreement of accepting the offer, this is the value that CLICO may be liable for. For unitholders who have not accepted the offer their units are valued, as previously done, at principal and interest accrued over a period of time. As at the reporting date about 87% of the Core (Series VI) had accepted the offer.

No Management fee was accrued in 2011 (2010: $NIL). This management fee, includes guarantee fees, administration fees and is net of commissions paid on acquisition of subscriptions.

23. Trade and Accounts Payable

	2011 $'000	2010 $'000
Sundry creditors and accruals	571,973	337,123
Provisions	-	29,998
	571,973	367,121

The Company guaranteed a loan from a third party to the Parent Company in the amount of $154 million. During the year the Company paid $36 million in relation to this guarantee. At the reporting date the balance owing on this loan was $30 million (2010: $66 million).

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%.

	2011 $'000	2010 $'000
At beginning of year	19,489	21,886
Credited to equity	8,742	(1,927)
Charged to statement of comprehensive income (Note 32)	1,434	(470)
At end of year	29,665	19,489

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

	As at 31.12.2010 $'000	Credit to Equity $'000	Charge to Income $'000	As at 31.12.2011 $'000
Deferred taxation liabilities				
Accelerated tax depreciation	17,069	-	504	17,573
Retirement benefit	6,222	-	930	7,152
Short-term reserves and unexpired risks	357	-	-	357
Unrealised gains on investments	(4,159)	8,742	-	4,583
	19,489	8,742	1,434	29,665

24. Deferred Taxation (continued)

	As at 31.12.2009 $'000	Credit to Equity $'000	Charge to Income $'000	As at 31.12.2010 $'000
Deferred taxation liabilities				
Accelerated tax depreciation	17,523	-	(454)	17,069
Retirement benefit	6,238	-	(16)	6,222
Short term reserves and unexpired risks	357	-	-	357
Unrealised gains on investments	(2,232)	(1,927)	-	(4,159)
	21,886	(1,927)	(470)	19,489

25. Net Insurance Premium Revenue

	2011 $'000	2010 $'000
Long-term insurance contracts		
Premiums (net of refunds and taxes)	250,436	310,669
Premium revenue ceded to reinsurance	(1,531)	(1,554)
Net insurance premium revenue	248,905	309,115
Short-term insurance contracts		
Premiums (net of refunds and taxes)	31,376	34,665
Premium revenue ceded to reinsurance	(3,004)	(4,104)
Net insurance premium revenue	28,372	30,561
	277,277	339,676

26. Insurance Benefits and Claims

	2011 $'000	2010 $'000
Long-term insurance contracts		
- Death, maturity and surrender benefits	22,478	27,257
- Pensions and lump sum benefits	328,136	331,082
- Other terminations	129	(317)
	350,743	358,022
Short-term insurance contracts		
- Death claims	42,486	47,907
Net insurance benefits and claims	393,229	405,929

27. Investment Income

	2011 $'000	2010 $'000
Interest income		
Short-term deposits	1,585	2,568
Companies securities	1,215	1,344
Government securities	198,039	204,629
Loans and advances	5,051	5,124
Debt securities	449	1,264
Dividend income		
Company securities	977,805	571,535
Gain on sale of investments and other assets		
Property, plant and equipment	504	139
Government securities	-	55,464
Company securities	153	19,999
Rental income (net)	14,068	10,463
Other income		
Bank accounts	23	100
Other income	8,268	72
	1,207,160	872,701

28. Impairment Write Backs (Losses)

The Company has recognised impairment write backs (losses) as follows:

	2011 $'000	2010 $'000
Current accounts	434,630	467,159
Loans and receivables	-	1,004
Impairment of non-financial assets	-	1,469
	434,630	469,632

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 cash flows expected from financial assets.

Impairment write backs were recorded on the receipt of assets from CL Financial Limited in lieu of part settlement on their Current Account.

29. Expenses for Marketing and Administration

	2011 $'000	2010 $'000
Employee costs	27,408	35,579
Marketing	4,123	3,558
Professional fees	63,740	31,690
Depreciation	10,021	25,532
Directors fees	648	985
Repairs and maintenance	4,022	5,100
Exchange gains	(6,640)	(948)
Other expenses (income)	55,442	(29,188)
	158,764	72,308

30. Investment Contract Movements

	2011 $'000	2010 $'000
Deposit Administration	940	53,627
Managed Fund	(3,181)	9,337
Movement in EFPA valuation		
- Due to policyholders not accepting GORTT offer	371,682	864,354
- Due to policyholders accepting GORTT offer	(798,845)	-
	(429,404)	927,318

31. Finance Costs

Interest on short term borrowings and current accounts	101,487	137,080
Interest on long term borrowings	15,495	25,095
Interest on debt securities	235,311	224,914
Bank charges and other finance costs	216	391
	352,509	387,480

32. Taxation

Current tax - current year	127	6,006
Green fund levy - current year	1,267	808
Prior year tax	15,222	-
	16,616	6,814
Deferred tax (Note 24)	1,434	(470)
Tax expense for the year	18,050	6,344
Profit (loss) before taxation	719,993	(904,601)
Tax calculated at the rate	179,999	(226,150)
Tax effect of different tax rates on lines of business	196,546	79,339
Tax effect of income not subject to tax	(368,508)	(68,210)
Tax effect of net expenses not deductible	(3,909)	213,599
Utilisation of prior year tax losses	(522)	-
Green fund levy	1,267	808
Prior year tax under accruals	15,222	-
Other differences	(2,045)	6,958
Tax charge	18,050	6,344

33. Related Party Balances and Transactions

At the year end the Company was 51% owned by C L Financial Limited and 49% owned by the Government of the Republic of Trinidad and Tobago. 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:

	2011 $'000	2010 $'000
Statement of Financial Position - Assets		
Fellow Subsidiary Companies		
Investment in associates	6,070,201	5,053,220
Investment in subsidiaries	376,545	174,000
Financial assets at fair value through profit or loss	106,895	226,128
Due from related parties	(148,940)	(1,025,767)
Loans and other receivables –accrued investment income	439	3,939
Loans and other receivables – promissory notes and other	160,025	1,724,855
Bank and short-term deposits	51,293	64,002
Associated Companies		
Investment in associates	166,000	243
Financial assets at fair value through profit or loss	20,657	29,722
Subsidiary Companies		
Investment in subsidiaries	6,158,558	5,383,564
Parent Company		
Due from related parties	1,713,808	2,047,634
Government		
Investment securities	2,955,486	2,904,758
Financial assets at fair value through profit or loss	42,033	42,490
Other Related Parties		
Investment securities	54,994	54,990
Available-for-sale financial assets – debt securities	153,584	202,081
Due from related parties – Mutual funds	-	909,360
Total related party assets	18,179,458	17,795,219

33. Related Party Balances and Transactions (continued)

	2011 $'000	2010 $'000
Statement of Financial Position - Liabilities		
Fellow Subsidiary Companies		
Investment contracts	427,935	427,935
Due to related parties	1,760,105	1,773,428
Trade and accounts payable	2,724	2,724
Other Related Parties		
Investment contracts	4,435	4,435
Mutual fund obligation	1,334,106	1,547,983
Total related party liabilities	3,529,305	3,756,505
Net assets with related parties	14,650,153	14,038,714
Income Statement - Income		
Fellow Subsidiary Companies		
Investment income – dividends received	742,659	353,101
Associated Companies		
Investment income – dividends received	218,637	194,861
Investment income – gain on sale of available for sale asset	126	18,834
Total income from related parties	961,422	566,796

34. Related Party Balances and Transactions (continued)

	2011 $'000	2010 $'000
Income Statement - Expenses		
Fellow Subsidiary Companies		
Medical services	78	155
Repairs and maintenance	257	430
Other	4,053	4,849
Finance costs	8,667	29,552
Associated Companies		
Advertising expense	152	15
Other Related Parties		
Consultancy fees	-	1,335
Finance costs –promissory note	-	1,261
Total expenses with related parties	13,207	37,597
Net Income from related parties	948,215	529,199
Key Management Compensation		
Salaries and other short-term benefit	3,515	3,515

34. Retirement Benefit

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

	2011 $'000	2010 $'000
Present value of funded obligations	152,276	122,956
Fair value of plan assets	(251,203)	(219,411)
	(98,927)	(96,455)
Unrecognised actuarial losses	5,739	14,806
Pension fund assets	(93,188)	(81,649)

34. Retirement Benefits (continued)

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

	2011 $'000	2010 $'000
Beginning of year	122,956	99,976
Current service cost	7,327	5,868
Interest cost	7,329	7,395
Actuarial losses	23,622	18,401
Benefits paid	(8,958)	(8,684)
End of year	152,276	122,956

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

	2011 $'000	2010 $'000
Beginning of year	219,411	189,386
Expected return on plan assets	21,722	13,129
Actuarial gains	14,555	20,608
Contributions	4,473	4,972
Benefits paid	(8,958)	(8,684)
End of year	251,203	219,411

The amount recognised in the income statement is as follows:

	2011 $'000	2010 $'000
Current service cost	5,700	4,060
Interest cost	7,329	7,395
Expected return on plan assets	(21,722)	(13,129)
Total included in staff costs	(8,693)	(1,674)

The actual return on plan assets for the year is $36.3 million (2010: $34 million).

	2011 $'000	2010 $'000
Total expense	(8,693)	(1,674)
Employer contributions paid	(2,846)	(3,164)
	(11,539)	(4,838)

34. Retirement Benefits (continued)

The principal actuarial assumptions used for accounting purposes were:

	2011	2010
Discount rate - Pre retirement	8.0%	8.0%
- Post retirement	7.0%	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%

35. 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 was restructured in late 2010 and is currently being serviced. At the year end the balance was approximately US$214 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 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 in negotiations to restructure the facility. The third party has written to the Company reminding it of its role as a guarantor.

c) The Company 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 in negotiations to restructure the facility. The third party has written to the Company reminding it of its role as a guarantor.

d) The Company has provided a performance guarantee to a third party on behalf of a related party. 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.

35. Contingent Liabilities and Commitments (continued)

f) Between 2006 – 2008 the Company entered into an arrangement to provide reinsurance coverage for a U.S. insurer. During that period the Company received approximately US$5.5 million in premiums. At present there have been about US$23 million in reinsurance claims directly from the U.S. insurer's clients which need to be validated and the Company is disputing some of these claims on various grounds. The Company is unable at this time to quantify the number or the value of other possible reinsurance claims due to incongruity between the records of the Company, the U.S. Insurer and the U.S. Insurers clients.

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

h) 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	1,907	9,017	6,827	17,751

i) At the reporting 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.

36. Events after the Reporting Date

a. The payout process, as outlined in the Minister of Finance's Budget Speech of September 8, 2010, commenced in 2011. This payout has continued into 2012 with a further 73% of the value of the EFPA/GAAP/GAP portfolio accepting the Government's offer in 2012. As at December 31, 2012 the total acceptance of the Government's offer, since inception, has been 90% of the total value of this portfolio.

For the CSI Series 6 portfolio, the acceptance of the Government's offer during 2012 amounted to 84% of the entire value. As at December 31, 2012 the total acceptance of the Government's offer by CSI Series 6 unit holders, since inception, amounted to 87% of the total value.

36. Events after the Reporting Date (continued)

a. (continued)

For all the EFPA/GAAPP/GAP policyholders that have accepted the Government offer, the actuarial valuation reserve for these policies as represented in these accounts has been reduced by $798million due to the acceptance of the settlement. Likewise for CSI Mutual Fund holders who have accepted the Government's offer the value of the Mutual Fund Guarantee on these mutual funds as set out in these accounts has been reduced by $190 million due to acceptance of the settlement.

b. In September 2012 Campari Espana S.L. announced its intention to offer to purchase all the issued shares in the capital of Lascelles deMercado & Co. Ltd (Lascelles). CLICO owned approximately US$40 million in notes and had charges over Lascelles shares through its subsidiary CL Distillers. These notes and charges were fully repaid when the Campari purchase was completed in December 2012.

c. On October 31, 2012 the Company disposed of 40 million Republic Bank Limited's shares as part of the continuing restructuring of CLICO and also to fulfil the Government's commitment to establish an Investment Trust for policyholders and unitholders who accepted the Government's settlement offer. The consideration received for the sale of the Republic Bank Limited's shares was Government bonds. These bonds replaced the shares in the Company's Statutory Fund.

37. 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

38. Principal Subsidiary Undertakings

Unquoted	**Country of Origin**	**Activity**
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

39. 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. Currently, according to the Insurance Act regulations, the Company has insufficient assets in trust to cover its Trinidad and Tobago policyholders as defined by the Act.

Listed below are the assets pledged by category either to the Inspector of Financial Institutions in Trinidad and Tobago or to other counter parties.

a) Approximately $3,766 million (2010: $3,268 million) of investments in associated companies are pledged to the order of the Inspector of Financial Institutions in Trinidad and Tobago and approximately $1,151 million (2010: $920 million) are pledged against collateralised borrowings due to CLICO Investment Bank Limited.

b) Approximately $2,241 million (2010: $1,972 million) 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 $139 million (2010: $26 million). Of the $139 million, fixed deposits of $0 million (2010: $7 million) are held at Republic Bank Limited, an associated company.

d) Approximately $4,153 million (2010: $3,521 million) of other investments are pledged to the order of the Inspector of Financial Institutions in Trinidad and Tobago. Approximately $55 million (2010: $310 million) of other investments are pledged as security for various bank overdrafts, short-term and long-term loans.

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.

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, 2011 a further $219 million of assets were pledged to the order of the Inspector of Financial Institution in Trinidad and Tobago.