Guardian Holdings Limited

Statement of Activities and Significant Accounting Policies

31 December 2000

1. Principal Activities of the Group

   Guardian Holdings Limited is a diversified financial services Group which is mainly engaged in underwriting all classes of long-term and short-term insurance business, and property development.

   The Group's associated companies, RBTT Financial Holdings Limited and Neal & Massy Holdings Limited are engaged in banking, financial intermediation services, trading, manufacturing and service industries in Trinidad and Tobago and the wider Caribbean region.

2. Significant Accounting Policies

   Basis of preparation

   The consolidated financial statements are prepared in accordance with and comply with International Accounting Standards issued by the Accounting Standards Committee and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. The consolidated financial statements are prepared under the historical cost convention except as disclosed in the accounting policies below.

   Comparative information

   Where necessary, comparative data has been adjusted to conform with changes in presentation in the current year. In particular, the comparative data has been adjusted to take into account the requirements of revised International Accounting Standard 12, which the Group implemented in 2000.

Subsidiary companies

Subsidiary companies are consolidated from the date on which control is transferred to the Group. All intercompany transactions are eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency within the policies adopted by the Group. Separate disclosure is made of minority interests. A listing of the Group's subsidiaries is set out in Note 23.

Associated companies

Investments in associated undertakings are accounted for by the equity method of accounting. Equity accounting involves recognising in the income statement the Group's share of the associate's profit or loss for the year. The Group's interests in the associates are carried in the balance sheet at an amount that reflects its share of the net assets of the associates. A listing of the Group's associates is set out in Note 23.

Joint ventures

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. Under this method the Group includes its share of the joint ventures' individual income and expenses, assets and liabilities in the relevant components of the financial statements. A listing of the Group's joint ventures is set out in Note 23.

Foreign currencies

Income statements of foreign entities are translated into the Group's reporting currency, Trinidad and Tobago dollars, at average exchange rates for the year and balance sheets are translated at the exchange rates ruling at December 31. Exchange differences arising from the retranslation of the net investment in foreign subsidiaries and associate companies are taken to shareholders equity.

Transactions denominated in foreign currencies are recorded at the rates of exchange prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at rates prevailing at the balance sheet date. Gains and losses relating to investment transactions and arising from the translation of investments denominated in foreign currencies of the life insurance companies are taken to investment valuation reserve. All other exchange gains and losses are recognised in the profit and loss account.

Property, plant and equipment

Property, plant and equipment, except for exclusively group occupied freehold and leasehold properties, are stated at cost less accumulated depreciation. The latter are revalued no more than every three years and adjustments to the carrying amount are taken to the revaluation reserve.

Depreciation is charged over the estimated useful lives of the assets using the following rates and methods:

Freehold buildings	-	straight line method 2% per annum
Leasehold property	-	over the period of the lease
Air-conditioning equipment	-	declining balance method 20% per annum
Motor vehicles	-	straight-line method 20% per annum
Other plant, machinery, office furniture & equipment	-	straight-line method 10%-40% per annum

Gains and losses on disposal of property, plant and equipment, are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of a revalued asset, the amount in the revaluation reserve relating to that asset is transferred to retained earnings.

The Group has no properties under finance lease. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Pension plan

The Group operates a number of defined benefit plans, the assets of which are generally held in separate trustee-administered funds. Except in the case of one pension plan, the plans are generally funded by payments from employees and by the relevant Group companies taking account of the recommendations of the independent qualified actuaries. The last actuarial valuation of the scheme of one of the local Group companies revealed that the scheme had significant surpluses. As a result of these surpluses, and on the advice of the actuaries, a contribution holiday of an indefinite duration has been taken.

The pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of a qualified actuary, who carries out a full valuation of the plans every three years. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities, which have terms to maturity approximating the terms of the related liability. All actuarial gains and losses are recognised immediately.

Long-term insurance business

* Recognition of premium income
  Premiums are shown on a receivable basis net of reinsurance premiums.

* Recognition of investment income
  Interest income and rents are recognised in the Profit and Loss Account on an accrual basis. Dividends are included when received. Realised and unrealised investments' gains attributable to investments in the long term insurance business are taken to an investment valuation reserve. Fifteen percent per annum of the investment valuation reserve is then taken to the profit and loss account.

* In-force long term insurance business

  The achieved profits method of accounting for long term insurance business is used to determine the value of the investment by shareholders.

  Under this method, a value is placed on the shareholders' interest in the in-force policies of the long-term business of the Group. The value is a prudent estimate of the net present value of the profits inherent in the business currently in force and is determined annually by the Group's actuary. In determining this value, assumptions relating to future mortality, persistence and the levels of expenses are based on experience of the type of business concerned. The future profits are discounted at 15% per annum.

  The assumptions made and methods employed are reviewed each year in light of the actual experience and the date available. Any significant changes made to these can create a source of profit and loss.

* Investments

  Government and quoted securities are stated at market value. Unquoted securities are stated at the lower of cost or directors' valuation. Corporate bonds are stated at market value, where available. In the absence of a market quotation they are stated at cost, which is considered to reflect fair value. Adjustments in value are taken to the revaluation reserve.

* Mortgages

  These are stated at their unpaid principal. Provision for estimated uncollectible amounts is made against specific loans based upon management's evaluation of the portfolio in relation to domestic economic conditions and past loan experience.

* Policy loans
  These are stated at outstanding principal plus accrued interest.

* Reserves for policyholders' benefits

  The ordinary life and pension policies are valued annually. The Group's actuary confirms that the amounts of the funds are, in his opinion, adequate to provide for future policy benefits after allowing for future premiums and investment income and making provision for benefits, expenses and taxes payable in respect of its policies in force. Allowance is made for interest, mortality and other assumptions on a consistent basis considered to be appropriate to provide for the liabilities of the companies under the terms of their policies in force.

* Allocation of profits

  Appropriate allocations are made annually to the participating policyholders' fund on the basis of actuarial valuations.

Short-term insurance business

* Recognition of Premium Income

  Premium income is shown after the deduction of unearned premiums. Unearned premiums represent the portion of the premium related to periods of insurance subsequent to the balance sheet date and are calculated generally on the 24th basis with the exception of inward treaty reinsurance, where unearned premiums are determined by the terms of the treaty, a year in arrears.

* Investments

  Government and quoted securities are stated at market value. Unquoted securities, corporate bonds and mortgages are stated at market value where available. In the absence of a market quotation, they are stated at cost, which is considered to reflect fair value.

* Realised Gains and Losses on Investments

  Realised gains and losses on disposal of investments are dealt with through the profit and loss account. Unrealised surpluses or deficiencies arising from the application of market values are dealt with through the Profit and Loss Account in accordance with IAS 39 and IAS 40.

* Unexpired Risks

  Provision is made for foreseen underwriting losses for specific classes of business on the existing premium portfolio and is computed as a percentage of the unearned premium in accordance with the industry's practice.

* Statutory Reserve

A Statutory Reserve is maintained in accordance with the provision of Section 171 of the Insurance Act 1980 of Trinidad and Tobago, where the company is required to appropriate towards statutory surplus at least 25% of prior year's profit until such surplus equals or exceeds the reserves in respect of its unexpired policies.

* Outstanding Claims

Provision for outstanding claims and the related cost of settlement are based on estimates for incidents reported before the end of the financial year and includes appropriate provisions for claims incurred but not yet reported, after giving consideration to amounts recoverable from reinsurers. Estimates are continually revised as more information becomes available and for the effect of anticipated inflation. Adjustments arising on these revisions are included with claims expense for the current year.

Recoveries on claims are accounted for on a cash basis.

Property business

* Revenue Recognition

Sales of residential property are recognised in the year in which the units are completed and final billings are rendered in accordance with contractual terms.

Rental Income is recognised on a straight-line basis over the lease term. All properties leased out under operating leases are included in investment properties.

* Investment Properties

Investment properties, which comprise both freehold and leasehold land and buildings, are carried at independent professional valuations. Investment properties are not subject to depreciation. Any appreciation or diminution in investment properties is recognised in the profit and loss accounts. Adjustments to the value of the properties held within the life insurance companies' investment portfolio are accounted for in accordance with the policy for investments described above.

Property developments

The cost of commercial and residential property developments includes the following:

- Land cost plus any associated acquisition cost thereon
- Development cost including professional fees
- Construction cost
- Finance charges

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net assets of the acquired entity at the date of acquisition. Goodwill on acquisition is amortised over a period of thirty-three years.

Taxation

Tax on the profit or loss for the year comprises current tax and the change in deferred tax. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rate enacted by the Balance sheet date, and any adjustment to tax payable for previous years.

Deferred tax is provided, using the liability method, on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities which affect neither accounting nor taxable profit (taxable loss). Net deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Profit on long term insurance business is charged at rates varying between 7 1/2% and 15% depending on the country in which the subsidiary resides. These rates are applied to investment income relating to policyholders' funds other than approved pension plans, less investment expenses allowable in relation thereto.

For business other than long term insurance, profits are subject to corporation tax at the rate prevailing in the various territories. These rates currently range between 33 '/3% and 35%.