GUARDIAN HOLDINGS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010

GUARDIAN HOLDINGS LIMITED
CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF GUARDIAN HOLDINGS LIMITED

We have audited the accompanying consolidated financial statements of Guardian Holdings Limited and its subsidiaries ("the Group") which comprise the consolidated statement of financial position as at 31 December 2010 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines as necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2010, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF GUARDIAN HOLDINGS LIMITED
(Continued)

Other Matter

The 2008 consolidated financial statements were audited by other auditors whose report dated 31 March 2009 expressed an unqualified opinion. As part of our audit of the 2010 consolidated financial statements, we also audited the adjustments described in Note 49 that were applied to amend the 2008 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2008 consolidated financial statements of Guardian Holdings Limited and its subsidiaries other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2008 consolidated financial statements.

Ernst + Young

Port of Spain
TRINIDAD:
23 March 2011

GUARDIAN HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2010

Expressed in Trinidad and Tobago Dollars

	Notes	2010 $'000	2009 $'000 (Restated)	2008 $'000 (Restated)
Assets				
Property, plant and equipment	**5**	509,744	508,644	591,054
Investment properties	**6**	905,507	911,221	706,645
Intangible assets	**7**	253,484	270,232	644,066
Investment in associated companies	**8**	276,847	274,074	271,946
Financial assets	**9**	11,183,338	10,634,815	10,736,363
Financial assets of mutual fund unit holders	**9**	1,244,907	1,040,532	579,594
Loans and receivables including insurance receivables	**10**	2,453,509	2,288,520	2,573,232
Pension plan assets	**11**	86,728	101,838	146,765
Value of inforce life insurance business	**12**	673,474	583,705	570,243
Deferred tax assets	**13**	25,595	47,378	78,956
Reinsurance assets	**14**	761,614	416,336	1,042,338
Segregated fund assets of life insurance policyholders	**15**	459,937	400,944	386,585
Deferred acquisition costs	**16**	369,623	466,541	521,909
Taxation recoverable		157,550	159,546	131,964
Cash and cash equivalents	**17**	1,475,421	2,157,156	3,013,511
Cash and cash equivalents of mutual fund unit holders	**17**	150,517	129,273	39,823
Assets held for sale	**18**	–	1,319,239	–
Total assets		20,987,795	21,709,994	22,034,994
Equity and liabilities				
Share capital	**19**	2,003,470	1,530,398	1,524,006
Reserves	**20**	(249,587)	(325,189)	(608,170)
Retained earnings		1,285,362	1,058,786	2,032,025
Equity attributable to owners of the parent		3,039,245	2,263,995	2,947,861
Non-controlling interests in subsidiaries	**21**	91,079	78,442	75,255
Total equity		3,130,324	2,342,437	3,023,116
Liabilities				
Insurance contracts	**22**	12,453,763	10,685,948	12,284,199
Financial liabilities	**23**	2,729,732	4,897,110	4,873,093
Third party interests in mutual funds	**24**	1,065,548	866,167	487,356
Segregated fund liabilities of life insurance policyholders	**15**	459,937	400,944	386,585
Post retirement medical benefit obligations	**25**	78,916	69,498	48,458
Deferred tax liabilities	**13**	208,432	199,726	226,273
Provision for taxation		102,308	97,855	86,304
Other liabilities	**26**	758,835	702,710	619,610
Liabilities related to assets held for sale	**18**	–	1,447,599	–
Total liabilities		17,857,471	19,367,557	19,011,878
Total equity and liabilities		20,987,795	21,709,994	22,034,994

The accompanying notes form an integral part of these consolidated financial statements. On 23 March 2011, the Board of Directors of Guardian Holdings Limited authorized these financial statements for issue.

Director **Director**

GUARDIAN HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

Expressed in Trinidad and Tobago Dollars

	Notes	2010 $'000	2009 $'000 (Restated)
Insurance activities			
Insurance premium income	**27 (a)**	4,817,104	3,983,407
Insurance premium ceded to reinsurers	**27 (b)**	(746,535)	(673,380)
Reinsurance commission income		116,364	111,796
		4,186,933	3,421,823
Change in "Value of inforce life insurance business"	**12**	75,808	35,121
Net underwriting revenue		4,262,741	3,456,944
Policy acquisition expenses	**28**	(943,623)	(813,036)
Net insurance benefits and claims	**29**	(3,089,290)	(2,392,231)
Underwriting expenses		(4,032,913)	(3,205,267)
Net result from insurance activities		229,828	251,677
Investing activities			
Investment income	**30**	888,213	946,131
Net realized gains on financial instruments	**31**	244,292	7,956
Net fair value gains on financial instruments	**32**	95,620	67,803
Fee income	**33**	35,648	30,422
Other (loss)/income	**34**	(5,264)	99,243
Investment contract benefits		(83,725)	(110,060)
Net income from investing activities		1,174,784	1,041,495
Net income from all activities		1,404,612	1,293,172
Operating expenses	**35**	(770,870)	(719,472)
Finance charges	**36**	(82,854)	(108,299)
Operating profit		550,888	465,401
Share of profit of associated companies	**8**	23,026	15,573
Profit before taxation		573,914	480,974
Taxation	**37**	(136,798)	(106,892)
Profit after taxation		437,116	374,082
Amount attributable to participating policyholders	**22.1(d)**	(14,359)	(6,398)
Profit from continuing operations		422,757	367,684
Net gain/(loss) on discontinued operations	**38**	2,586	(1,191,865)
Profit/(loss) for the year		425,343	(824,181)
Profit/(loss) attributable to:			
- Equity holders of the parent		405,505	(826,924)
- Non-controlling interests		19,838	2,743
		425,343	(824,181)
Earnings/(loss) per share			
- Basic - for profit/(loss) attributable to ordinary equity holders of the parent	**39**	$ 1.94	$ (4.10)
- Diluted - for profit/(loss) attributable to ordinary equity holders of the parent	**39**	$ 1.88	$ (3.97)
Earnings / (loss) per share for continuing operations			
- Basic - for profit attributable to ordinary equity holders of the parent	**39**	$ 1.92	$ 1.81
- Diluted - for profit attributable to ordinary equity holders of the parent	**39**	$ 1.87	$ 1.75

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

GUARDIAN HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

Expressed in Trinidad and Tobago Dollars

	2010 $'000	2009 $'000 (Restated)
Profit/(loss) for the year	425,343	(824,181)
Other comprehensive income/(loss)		
Exchange differences on translating foreign operations	68,592	273,073
Gains on property revaluation	1,312	10,824
Actuarial losses on defined benefit pension plans	(14,771)	(49,721)
Other reserve movements	265	(589)
Income tax (charge)/credit relating to components of other comprehensive income	(890)	182
Other comprehensive income for the period, net of tax	54,508	233,769
Total comprehensive income/(loss) for the period, net of tax	479,851	(590,412)
Total comprehensive income/(loss) attributable to:		
- Equity holders of the parent	464,856	(594,688)
- Non-controlling interests	14,995	4,276
	479,851	(590,412)

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

GUARDIAN HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

Expressed in Trinidad and Tobago Dollars

	Attributable to equity holders of the parent					
	Share capital $'000	**Reserves (Note 20) $'000**	**Retained earnings $'000**	**Total Ordinary Shareholders' equity $'000**	**Non-controlling interests $'000**	**Total equity $'000**
At 1 January 2010	1,530,398	(325,189)	1,058,786	2,263,995	78,442	2,342,437
Total comprehensive income	–	74,772	390,084	464,856	14,995	479,851
Decrease in non-controlling interest (Note 21)	–	–	1,733	1,733	(1,733)	–
Issue of Shares	412,609			412,609		412,609
Transfer to/from retained earnings	59,389	830	(60,219)	–	–	–
Share option scheme - value of services provided (Note 19)	1,950	–	–	1,950	–	1,950
Share option scheme - lapses (Note 19)	(876)	–	876	–	–	–
Dividends (Note 40)	–	–	(105,898)	(105,898)	(625)	– (106,523)
Balance at 31 DECEMBER 2010	2,003,470	(249,587)	1,285,362	3,039,245	91,079	3,130,324

	Attributable to equity holders of the parent					
	Share capital $'000	**Reserves (Note 20) $'000**	**Retained earnings $'000**	**Total Ordinary Shareholders' equity $'000**	**Non-controlling interests $'000**	**Total equity $'000**
At 1 January 2009 as previously reported	1,539,271	(652,811)	2,113,778	3,000,238	589,015	3,589,253
Unallocated shares (Note 49)	(15,265)	–	–	(15,265)	–	(15,265)
Reclassification of Mutual Fund holder liabilities and related asset portfolios (Note 49)	–	44,641	(44,641)	–	(487,356)	(487,356)
Write-off of design costs (Note 49)	–	–	(20,684)	(20,684)	(26,404)	(47,088)
Other prior period adjustments (Note 49)	–	–	(16,428)	(16,428)	–	(16,428)
Balance at 1 January 2009 - restated	1,524,006	(608,170)	2,032,025	2,947,861	75,255	3,023,116
Total comprehensive income/(loss) - restated	–	281,866	(876,554)	(594,688)	4,276	(590,412)
Transfer to / from retained earnings	–	1,115	(1,115)	–	–	–
Share option scheme - value of services provided (Note 19)	9,195	–	–	9,195	–	9,195
Share option scheme - lapses (Note 19)	(2,252)	–	2,252	–	–	–
Repurchase of shares	(551)		(974)	(1,525)		(1,525)
Dividends (Note 40)	–	–	(96,848)	(96,848)	(1,089)	(97,937)
Balance at 31 December 2009 - restated	1,530,398	(325,189)	1,058,786	2,263,995	78,442	2,342,437

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

GUARDIAN HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010

Expressed in Trinidad and Tobago Dollars

	Notes	2010 $'000	2009 $'000 (Restated)
Cash flows from operating activities			
Profit before taxation from continuing operations		573,914	480,974
Profit/(loss) before taxation from discontinued operations		2,586	(1,191,865)
Adjustment for specific items included on the accruals basis:			
- Finance charges		82,854	108,299
- Investment income		(888,213)	(946,131)
Adjustment for non-cash items	**41**	(339,801)	1,105,062
Interest received		940,659	856,671
Dividends received		32,361	40,686
Operating profit before changes in operating assets / liabilities		404,360	453,696
Net increase in insurance liabilities		445,759	866,457
Net increase in reinsurance assets		(48,207)	(57,060)
Net increase in investment contracts		60,596	129,043
Purchase of financial assets		(7,276,094)	(7,681,425)
Proceeds from sale of other financial assets		6,473,134	7,588,659
Purchase of investment properties		(188,670)	(240,786)
Net decrease/(increase) in loans and receivables		173,664	(265,665)
Net decrease/(increase) in other operating assets/liabilities		69,495	(658,510)
Cash provided by operating activities		114,037	134,409
Interest paid		(132,065)	(105,721)
Net taxation paid		(107,748)	(147,888)
Net cash used in operating activities		(125,776)	(119,200)
Cash flows from investing activities			
Additional investment in associated company		(3,518)	(1,657)
Proceeds on sale of associated companies		8,261	–
Proceeds on sale of subsidiary company		103,397	–
Purchase of property, plant and equipment		(46,106)	(72,076)
Proceeds on sale of property, plant and equipment		314	78,433
Purchase of intangible assets		(1,632)	(5,977)
Net cash provided by/(used in) investing activities		60,716	(1,277)
Cash flows from financing activities			
Repurchase of shares		–	(1,526)
Proceeds from issue of shares		412,609	–
Proceeds from borrowings		206,498	4,156,357
Repayments of borrowings		(1,180,089)	(3,755,636)
Dividends paid to equity holders of the parent	**40**	(105,898)	(96,848)
Dividends paid to non-controlling interests		(625)	(1,088)
Subscriptions of Mutual Funds		(389,469)	(1,323,405)
Redemptions of Mutual Funds		219,345	892,009
Net cash used in financing activities		(837,629)	(130,137)
Net decrease in cash and cash equivalents	**17**	(902,689)	(250,614)

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

1. Incorporation and principal activities of the Group

Guardian Holdings Limited (the 'Parent' and ultimate parent) was incorporated in the Republic of Trinidad and Tobago on 8 November 1982. It is a public limited liability holding company. The address of the registered office is 1 Guardian Drive, Westmoorings S.E., Trinidad and Tobago.

The Guardian Holdings Group (the 'Group') is a diversified financial services Group engaged in underwriting all classes of long-term, property and casualty business, and the provision of pension and asset management services. The Group conducts its operations through subsidiaries, associated companies and joint ventures.

The ordinary shares of the parent company are listed on the Trinidad and Tobago Stock Exchange and the Jamaica Stock Exchange.

2. Significant accounting policies

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

2.1 Basis of preparation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). They have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, investment properties, derivative financial instruments and financial assets at fair value through profit or loss which are carried at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

(a) New standards and amendments/revisions to published standards and interpretations effective in 2010

The following amendments to published standards are mandatory for the Group's accounting periods beginning on or after 1 January 2010:

IFRS 2 Group Cash-settled Share-based Payment Arrangements
IFRS 2 has been amended to clarify the accounting for group cash-settled share-based payment transactions, where a subsidiary receives goods or services from employees or suppliers but the parent or another entity in the group pays for those goods or services. The amendments clarify that the scope of IFRS 2 includes such transactions. This amendment is applied retrospectively, in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in respect of changes in accounting policy. For group reporting and consolidated financial statements, the amendment clarifies that if an entity receives goods or services that are cash settled by shareholders not within the group, they are outside the scope of IFRS 2. The adoption of this amendment did not have any impact on the financial position of the Group.

IAS 27 Consolidated and Separate Financial Statements (Amendment)
The most significant changes to IAS 27 are as follows:

- Changes in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss.
- Losses incurred by the subsidiary will be allocated between the controlling and non-controlling interests (previously referred to as 'minority interests'); even if the losses exceed the non-controlling equity investment in the subsidiary.
- On loss of control of a subsidiary, any retained interest will be re-measured to fair value and this will impact the gain or loss recognized on disposal.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New standards and amendments/revisions to published standards and interpretations effective in 2010 (continued)

IAS 27 is applied retrospectively, with the following exceptions:

- The allocation of comprehensive income to non-controlling interests in periods before the standard is applied is not restated.
- Changes in ownership interests (without loss of control) occurring before the standard is applied are not restated.
- The carrying amount of an investment in a former subsidiary, where control was lost in periods before the standard is applied, is not restated. Accordingly, the gains or losses arising from such transactions are not recalculated.

Subsequent to application of the standard, the impact of transactions where control is lost/not lost and the allocation of losses of a subsidiary will impact the reported profit and loss of an entity, both in terms of timing and on an aggregate basis.

IAS 39 Financial Instruments: Recognition and Measurement- Eligible hedged items (Amendments)

The final amendment addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. An entity can designate the changes in fair value or cash flows related to a one-sided risk as the hedged item in an effective hedge relationship. In most cases, the intrinsic value of a purchased option hedging instrument, but not its time value, reflects a one-sided risk in a hedged item.

The designated risks and portions of cash flows or fair values in an effective hedge relationship must be separately identifiable components of the financial instrument. Additionally, the changes in cash flows or fair value of the entire financial instrument arising from changes in the designated risks and portions must be reliably measurable. The amendment indicates that inflation is not a separately identifiable risk and cannot be designated as the hedged risk unless it represents a contractually specified cash flow. The adoption of this amendment did not have any impact on the financial position of the Group.

IFRIC 17

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation applies to all non-reciprocal distributions of non-cash assets, including those giving the shareholders a choice of cash or other assets, provided that all owners of the same class of equity instruments are treated equally; and the non-cash assets distributed are not ultimately controlled by the same party before and after the distribution (that is, excluding transactions under common control). An entity must recognize a liability for the distribution when it is no longer at the discretion of the entity (that is, when shareholder approval is obtained, if required). The liability is initially recognized at the fair value of the assets to be distributed and is re-measured at the end of each reporting period and immediately before settlement. At settlement date, the difference between the carrying amount of the assets to be distributed and the liability is recognized in profit or loss as a separate line item. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. This interpretation is to be applied prospectively. The adoption of this interpretation did not have any impact on the financial position of the Group.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New standards and amendments/revisions to published standards and interpretations effective in 2010 (continued)

Improvements to IFRSs (issued 2008)
The Improvements to IFRS project is an annual process that the IASB has adopted to deal with non-urgent but necessary amendments to IFRS (the 'annual improvements process'). This amendment was issued in the first omnibus of amendments in May 2008, and is effective for the December 2010 year end.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
When a subsidiary is held for sale, all of its assets and liabilities will be classified as held for sale under IFRS 5, even when the entity retains a non-controlling interest in the subsidiary after the sale. This amendment is effective for periods commencing 1 July 2009. This policy is currently being applied by the Group and did not have any impact on the financial position of the Group.

Improvements to IFRSs (issued 2009)
These amendments are part of the second omnibus of amendments and are effective for periods beginning on or after 1 January 2010. The adoption of these amendments did not have any impact on the financial position of the Group.

IFRS 2 Share-based Payment
This amendment clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of IFRS 2. This is effective for periods beginning on or after 1 July 2009.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
This amendment clarifies that the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations are only those set out in IFRS 5. This is effective prospectively for annual periods beginning on or after 1 January 2010.

IFRS 8 Operating Segments
Segment assets and liabilities need only be reported when those assets and liabilities are included in measures used by the chief operating decision maker. This is effective for annual periods beginning on or after 1 January 2010.

IAS 1 Presentation of Financial Statements
The terms of a liability that could at anytime result in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification. This is effective for annual periods beginning on or after 1 January 2010.

IAS 7 Statement of Cash Flows
Only expenditure that results in a recognized asset can be classified as a cash flow from investing activities. This is effective for annual periods beginning on or after 1 January 2010.

IAS 17 Leases
The specific guidance on classifying land as a lease has been removed so that only the general guidance remains. This is effective for annual periods beginning on or after 1 January 2010.

IAS 36 Impairment of Assets
The largest unit permitted for allocating goodwill acquired in a business combination is the operating segment defined in IFRS 8 before aggregation for reporting purposes. This is effective prospectively for annual periods beginning on or after 1 January 2010.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New standards and amendments/revisions to published standards and interpretations effective in 2010 (continued)

IAS 38 Intangible Assets
Consequential amendments arising from IFRS 3: If an intangible acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangibles as a single asset provided the individual assets have similar useful lives. *Measuring fair value:* The valuation techniques presented for determining the fair value of intangible assets acquired in a business combination are only examples and are not restrictive on the methods that can be used. These amendments are effective for annual periods beginning on or after 1 July 2009.

IAS 39 Financial Instruments: Recognition and Measurement
Assessment of loan prepayment penalties as embedded derivatives: A prepayment option is considered closely related to the host contract when the exercise price reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. This is effective for annual periods beginning on or after 1 January 2010. Scope exemption for business combination contract: The scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, not derivative contracts where further actions are still to be taken. This is effective prospectively to all unexpired contracts for annual periods beginning on or after 1 January 2010. Cash flow hedge accounting: Gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges or recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss. This is effective prospectively to all unexpired contracts for annual periods beginning on or after 1 January 2010.

IFRIC 9 Reassessment of Embedded Derivatives
IFRIC 9 does not apply to possible reassessment at the date of acquisition to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation or a joint venture. The amendment is effective prospectively for annual periods beginning on or after 1 July 2009.

(b) New standards and amendments / revisions to published standards and interpretations effective in 2010 but not applicable to the Group

The Group has not adopted the following new and revised IFRSs and IFRIC Interpretations that have been issued as these

- IFRS 1 First-time Adoption of International Financial Reporting Standards - Additional Exemptions for First-time Adopters (Amendments)
- IFRS 3 Business Combinations (Revised)
- Improvements to IFRSs (issued 2009) - IFRIC 16 Hedges of a Net Investment in a Foreign Operation.

(c) New interpretations and revised or amended standards that are not yet effective and have not been early adopted by the Group

The improvements become effective for annual periods on or after either 1 July 2010 or 1 January 2011. These changes are currently being evaluated by Management.

- IFRS 1 - First-time Adoption of International Financial Reporting Standards (Amendment) – Limited Exemption from Comparative IFRS 7 Disclosures – Effective 1 July 2010
- IFRS 9 - Financial Instruments - Effective 1 January 2013
- IAS 24 - Related Party Disclosures (Revised) – Effective 1 January 2011
- IAS 32 - Financial Instruments: Presentation (Amendment) – Classification of Rights Issues - Effective 1 February 2010
- IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment) - Effective 1 January 2011
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments - Effective 1 July 2010.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) New interpretations and revised or amended standards that are not yet effective and have not been early adopted by the Group (continued)

Improvements to IFRSs (issued in May 2010)

The improvements become effective for annual periods on or after either 1 July 2010 or 1 January 2011.

- IFRS 1 - First-time Adoption of International Financial Reporting Standards
- IFRS 3 - Business Combinations
- IFRS 7 - Financial Instruments: Disclosures
- IAS 1 - Presentation of Financial Statements
- IAS 27 - Consolidated and Separate Financial Statements
- IAS 34 - Interim Financial Reporting
- IFRIC 13 - Customer Loyalty Programmes

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group 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 Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

The Group uses the purchase method of accounting for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (see Note 2.7). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated income statement.

All intra-group transactions and balances are eliminated on consolidation. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group. A listing of the Group's subsidiaries is set out in Note 47.

(b) Associated companies

The Group's investment in its associated companies is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in associates is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment and is not amortized. The consolidated income statement reflects the share of the results of operations of the associates. When there has been a change recognized directly in the equity of the associates, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits or losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The share of profit of associated companies is shown on the face of the consolidated income statement. This is profit attributable to the equity holders of the associates and therefore is profit after tax and non-controlling interests in the subsidiaries and associates.

2. Significant accounting policies (continued)

2.2 Consolidation (continued)

(b) Associated companies (continued)

The financial statements of the associates are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring its accounting policies in line with the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in associates. The Group determines at each consolidated statement of financial position date, whether there is any objective evidence that the investment in associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognizes the amount in the consolidated income statement. A listing of the Group's associates is set out in Note 47.

(c) Joint ventures

Jointly controlled entities are those that involve the establishment of a corporation, partnership or other entity in which each venturer has an interest. The entity operates in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity. The Group's interest in jointly controlled entities is accounted for on an equity basis. In the past, these joint venture interests were accounted for under the proportional consolidation method.

(d) Mutual funds

The Group manages certain Mutual Funds through its asset management subsidiary, Guardian Asset Management, in which it also has a beneficial ownership interest. These funds have been consolidated in these financial statements in accordance with IAS 27.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the ‘functional currency’). The consolidated financial statements are presented in thousands of Trinidad and Tobago dollars, which is also the Parent's functional currency.

(b) Transactions and balances in the financial statements

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 recognized in the consolidated income statement.

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the end of the reporting period.

(ii) income and expenses for each consolidated income statement are translated at average exchange rates; and

2. Significant accounting policies (continued)

2.4 Foreign currency translation (continued)

(c) Group companies (continued)

(iii) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to the consolidated statement of comprehensive income. When a foreign operation is sold, liquidated or wound up, such exchange differences are recognized in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as the foreign entity's assets and liabilities and are translated at the closing rate.

2.5 Property, plant and equipment

Freehold properties comprise mainly offices occupied by the Group and are shown at fair value, based on periodic, but at least triennial, valuations by external independent appraisers, 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. All other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Increases in the carrying amount arising on revaluation of land and buildings are recognized in the consolidated statement of comprehensive income. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in the consolidated statement of comprehensive income; all other decreases are charged to the consolidated income statement.

Land is not depreciated. Depreciation on other assets is charged over the estimated useful lives of the assets using the following rates and methods:

Freehold building	-	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 and reducing balance basis, 25% per annum
Other plant, machinery, office furniture & equipment	-	straight line method, 10 - 40% per annum

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated income statement. When revalued assets are sold, the amounts included in the revaluation surplus account are transferred to retained earnings.

2. Significant accounting policies (continued)

2.6 Investment properties

Freehold or leasehold properties held for long-term rental yields that are not occupied by the Group are classified as investment properties. Investment properties comprise freehold land and buildings. They are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is based on active market prices, adjusted, as necessary for any difference in the nature, location or condition of the specified asset. Fair value is determined annually by accredited external independent valuators. Investment properties are not subject to depreciation. Any appreciation or diminution in value is recognized in the consolidated income statement.

If investment properties become owner-occupied, they are reclassified as property, plant and equipment, and their fair value at the date of reclassification becomes its cost for subsequent accounting periods. Alternatively, where properties classified as property under IAS 16 become investment properties because of a change in use, these properties are accounted for as investment properties and any differences arising between the carrying amount and the fair value of these items at the date of transfer are recognized in equity as a revaluation of property. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the consolidated income statement.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Upon disposal, any surplus previously recorded in the property revaluation reserve in equity is transferred to retained earnings.

The Group applies the fair value model for investment properties as described above. However, in exceptional cases for an investment property under construction where fair value is not readily determinable, it is stated at cost until either the fair value becomes readily determinable, or construction is completed (whichever is earlier).

Properties under construction that are intended for sale, are classified as inventory within loans and receivables. Inventory balances are carried at the lower of cost and net realizable values.

2.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the acquisition date. Goodwill on acquisition of subsidiaries is reported on the consolidated statement of financial position. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Each of those cash-generating units represents the Group's investment in each country of operation by each primary segment.

(b) Brands

Brands acquired through direct purchase or through a business combination are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of brands over their estimated useful lives.

(c) Computer software and website development costs

Acquired computer software licenses and website development costs are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are also recognized as intangible assets. These costs are amortized over their estimated useful lives.

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred.

2. Significant accounting policies (continued)

2.8 Financial assets

(a) Initial recognition and subsequent measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, or held-to-maturity investments as appropriate. The Group determines the classification of its financial assets at initial recognition. The classification depends on the purpose for which the investments were acquired or originated.

Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group's financial assets include cash and short-term deposits, debt securities, equity securities, interest receivable, receivables arising from insurance contracts and reinsurance contracts and other loans and receivables.

(b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held-for-trading and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held-for-trading. The Group's subsidiaries, with the exception of its asset management company, do not engage in trading financial assets. For investments designated at fair value through profit or loss, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realized gain and loss are recognized in the consolidated income statement.

(c) Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold until maturity. These investments are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, held-to-maturity financial assets are measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in the consolidated income statement when the investments are derecognized or impaired, as well as through the amortization process.

(d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The investments are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are included in the cost of the investment. After initial measurement, loans and receivables are measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in the consolidated income statement when the investments are derecognized or impaired, as well as through the amortization process.

(e) Fair value of financial assets

The fair value of quoted investments (primarily equity securities) are based on current bid prices at the consolidated statement of financial position date. If the market for a financial asset is not active (primarily government securities, debentures and corporate bonds), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis making maximum use of market inputs and relying as little as possible on entity-specific inputs.

If the fair value of unquoted equities cannot be measured reliably, these financial assets are measured at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

2. Significant accounting policies (continued)

2.8 Financial assets (continued)

(f) Derecognition of financial assets

A financial asset (or when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired.
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement.
- The Group has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risk and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

When continuing involvement takes the form of a written and / or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that, in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.9 Impairment of assets

(a) Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the loss is recognized in the consolidated income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. The impairment assessment is performed at each consolidated statement of financial position date.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

(b) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined on an individual asset basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

2. Significant accounting policies (continued)

2.9 Impairment of assets (continued)

(b) Impairment of non-financial assets (continued)

Impairment losses of continuing operations are recognized in the consolidated income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Group makes an estimate of recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

2.10 Segregated funds

Segregated funds' assets and liabilities represent funds maintained to meet specific investment objectives of policyholders who bear the investment risk. The value of the fund changes based on the market value fluctuations of the assets held by the fund and the returns earned by the investments of the fund. Investment income and both realized and unrealized gains and losses accrue directly to the policyholders.

The assets of each fund are segregated and are not subject to claims that arise out of any other business of the Group. The assets and liabilities are carried at fair values. Deposits, withdrawals, net investment income and realized gains and losses, together with the increase or decrease in the market value of investments related to segregated policies are charged or credited to the segregated funds liabilities.

The Group earns fees for management of the funds, policy administration, as well as effecting the surrendering of units.

2.11 Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase (repurchase agreements) and securities purchased under agreements to sell (reverse repurchase agreements) are treated as collateralized financing transactions. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the agreements using the effective interest method.

2.12 Derivative financial instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. All derivative financial instruments are recorded in the consolidated statement of financial position at fair value as assets when favorable to the Group and liabilities when unfavorable. Realized and unrealized gains and losses on trading derivatives are reflected in income and recognized as trading gains or losses.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current financial liabilities on the consolidated statement of financial position.

2. Significant accounting policies (continued)

2.15 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

2.16 Insurance and investment contracts

(a) Classification

The Group 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. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% 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.

A number of insurance contracts contain a discretionary participation feature ("DPF"). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

a) that are likely to be a significant portion of the total contractual benefits;
b) whose amount or timing is contractually at the discretion of the Group;
c) and that are contractually based on:
   (i) the performance of a specified pool of contracts or a specified type of contract;
   (ii) realized and/or unrealized investment returns on a specified pool of assets held by the Group; or
   (iii) the profit or loss of the Group, fund or other entity that issues the contract.

The terms and conditions of these contracts set out the bases for the determination of the amounts on which discretionary benefits are based and within which the Group may exercise its discretion as to the quantum and timing of their payments to contract holders, which will be subject to the advice of the Group's actuary or a locally appointed actuary.

(b) Recognition and measurement

Insurance contracts are classified into four main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

(i) Short-term insurance contracts

These contracts are principally property, motor, casualty (employers' liability, public liability), marine, group life and health insurance contracts. Health insurance contracts include both group and individual health insurance.

Property insurance contracts indemnify the Group's customers in the event of a loss from a specified insured peril such as fire, windstorm or earthquake (not limited to these perils) up to the insured amount and within the terms of the policy conditions. These contracts are issued for both private and commercial risks. Customers who undertake commercial activities on their premises could also receive compensation for consequential loss/business interruption caused by the insured perils.

Motor insurance contracts indemnify the Group's customers for their legal requirement under the relevant country's Road Traffic Act which in certain instances stipulate unlimited coverage for third party liability. These contracts may be extended for additional coverage such as physical damage, theft and personal accident.

Casualty insurance contracts provide coverage for liability exposures that indemnify the Group's customers against actions from third parties which are subject to the policy limits and conditions. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and employers who become liable to pay compensation to third parties for bodily harm or property damage (public liability).

2. Significant accounting policies (continued)

2.16 Insurance and investment contracts (continued)

(b) Recognition and measurement (continued)

(i) Short-term insurance contracts (continued)

Marine insurance contracts indemnify the Group's customers for loss or damage to their insured cargo, commercial hull and pleasure craft vessels. Third party coverage is also provided.

Group life contracts protect the Group's customers from the consequences of events (such as death or critical illness) that would affect on the ability of the customer or his/her dependants to maintain their current level of income. Health insurance contracts provide for both unexpected and preventative medical treatment and drugs. On these contracts, the 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.

For all these contracts, premiums are recognized as revenue (earned premiums) proportionally over the period of coverage. The portion of premiums received on inforce contracts that relate to unexpired risks at the consolidated statement of financial position date is reported as an unearned premium liability. Premiums are shown before deduction of commissions payable to agents and brokers and exclude any taxes or duties levied on such premiums. Premium income includes premiums collected by agents and brokers not yet received by the Group.

Unearned premiums represent the portion of premiums written in the current year which relate to periods of insurance subsequent to the consolidated statement of financial position date calculated using either the three hundred and sixty-fifths method or the twenty-fourths method. Unearned premiums relating to marine cargo are calculated using 180 days after the first date of sailing. Unearned premiums relating to group life are calculated based on 25% of net premiums written.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders. They arise from events that have occurred up to the consolidated statement of financial position date even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims other than for disability claims. Liabilities for unpaid claims are estimated using techniques such as the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported ("IBNR"), and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions. Estimates are continually revised as more information becomes available and for the effects of anticipated inflation. Adjustments arising on these revisions are recognized within claims expense in the current year.

(ii) Long-term insurance contracts with fixed and guaranteed terms and without DPF

These contracts insure events associated with human life over a long duration. Premiums are recognized as revenue when they become payable by the policyholder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when incurred.

A liability for policyholders' benefits that are expected to be incurred in the future is recorded when the premiums are recognized. Typically, the liability is determined as the sum of the expected discounted value of the benefit payments less the expected discounted value of the theoretical premiums that would be required to meet the benefits based on the valuation assumptions used (the valuation premiums). In particular, the liability is based on assumptions as to mortality and investment income. A margin for adverse deviations is included in the assumptions.

The liabilities are recalculated at each consolidated statement of financial position date and the change in the liability is recognized as an expense in the consolidated income statement.

For the Trinidad and Tobago life insurance subsidiaries, reserves held are calculated based on the Zillmerised Net Premium Method. A gross premium method is used for some lines of business.

For the Jamaican life insurance subsidiary, reserves are calculated using the Policyholder Premium Method as required under the Insurance Act 2001 of Jamaica.

2. Significant accounting policies (continued)

2.16 Insurance and investment contracts (continued)

(b) Recognition and measurement (continued)

(ii) Long-term insurance contracts with fixed and guaranteed terms and without DPF (continued)

For the Netherlands Antilles life insurance subsidiary, reserves are calculated on a Modified Net Premium Method in accordance with the requirements of the Central Banks of the Netherlands Antilles and of Aruba.

Unit linked and interest sensitive insurance contracts

The premiums paid for these contracts contain an element that covers the insured event and another which is used to accumulate cash values available for withdrawal at the option of the policyholder. These cash values earn interest.

Unit Linked insurance contracts
For the Jamaican life insurance subsidiary, the portion of the premium covering the insured risk is recorded as premium income. The portion of the premium which accumulates a cash value for the policyholder is recorded as a liability and is credited to the account of the policyholder in the respective segregated fund (Note 2.10) to which the contract is linked.

The liabilities arising from the unit linked contracts comprise the liability for the insured risk and the accumulated cash value. The liability for the insured risk is determined in a manner identical to the liability for contracts with fixed and guaranteed terms and is included in the policyholders' liability balance while the liability for the accumulated cash value is carried at fair value of the assets which fund the liabilities. The liabilities for the accumulated cash values are included in the segregated funds' liability balance. The Group bears no risk in relation to segregated funds' liability.

The change in the liability arising from the insurance risk is recognized as an expense in the consolidated income statement.

Interest sensitive insurance contracts
The Jamaican life insurance subsidiary issues interest sensitive policies for which the entire premium is recorded as premium income and there is no unbundling of the premium receipt between the insurance and investment components. The liability for the interest sensitive policies is determined as the sum of the liability for the insured risk as determined above for unit linked policies and the liability for the accumulated cash values. The entire liability for the interest sensitive policies is recorded in policyholders' liability.

The change in the overall liability for the interest sensitive policies is recognized as an expense in the consolidated income statement.

(iii) Long-term insurance contracts without fixed terms

Unit Linked insurance contracts
For the Trinidad and Tobago life insurance subsidiary, the entire premium on these contracts is recorded as premium income. The liabilities held for these contracts are the contract holders' notional account balances. The mortality charges deducted in each period from the contract holders as a group are considered adequate to cover the expected total death benefit claims in excess of the contract holders' notional account balances in each period; no additional liability is therefore established for these claims other than a small provision for incurred but not reported claims. Some of the Group's unit-linked annuity contracts contain a guarantee that entitles the holders to a minimum guaranteed crediting rate over the life of the policy. A reserve is held for this guarantee.

(iv) Long-term insurance contracts with fixed and guaranteed terms and with DPF

In addition to death or life benefits, these contracts contain a DPF that entitles the holders to a bonus or dividend declared by the company from time to time. The discretionary element of the benefits payable under these policies, as well as the guaranteed elements are treated as liabilities and any changes in the total benefits due are recognized as charges in the consolidated income statement and form part of increases in reserves for future benefits of policyholders.

2. Significant accounting policies (continued)

2.16 Insurance and investment contracts (continued)

(b) Recognition and measurement (continued)

(v) Investment Contracts

The Group issues investment contracts including deposit administration contracts and individual deferred annuity contracts. Insurance premiums are recognized directly as liabilities. These liabilities are increased by credited interest or change in the unit prices and are decreased by policy administration fees, mortality and surrender charges and any withdrawals. Revenue consists of investment income and interest credited is treated as an expense.

(c) Outstanding Claims

Provision 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.

(d) Policyholders' benefits

Maturities and annuities are accounted for when due.

Death and disability claims and surrenders are recognized in the financial statements in the year in which they have been notified.

Differences between the estimated claims and subsequent settlements are recognized in the consolidated income statement in year of settlement.

(e) Value to shareholders of inforce long-term business

Besides estimating the insurance liabilities, the Group estimates the present value of future profits to be earned on its long-term lines of business. This value to shareholders of inforce long-term business is included on the consolidated statement of financial position and changes in it flow through the consolidated income statement. The value to shareholders of inforce long-term business is calculated as the present value of free cash flow produced by the insurance contracts and their associated reserves that are inforce as at the statement of financial position date.

(f) Deferred acquisition costs ("DAC")

Commissions paid to agents and brokers for property, casualty and short-duration life insurance contracts that are related to securing new contracts and renewing existing contracts are expensed over the terms of the policies as premium is earned. All other costs are recognized as expenses when incurred.

(g) Liability adequacy test

At each consolidated statement of financial position date, the Group assesses whether its recognized insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate, the deficiency is recognized in the consolidated income statement and the amount of the relevant insurance liabilities is increased.

(h) Reinsurance contracts held

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

Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (inward reinsurance) are included with insurance contracts.

2. Significant accounting policies (continued)

2.16 Insurance and investment contracts (continued)

(h) Reinsurance contracts held (continued)

The benefits to which the Group is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Short-term balances are included in current financial assets. 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 recognized as an expense when due.

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the consolidated income statement.

(i) Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognized 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 Group reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in the consolidated income statement.

(j) Statutory Reserve

The general insurance companies in Trinidad and Tobago maintain a statutory reserve. This is in accordance with the provisions of Section 171 of the Insurance Act 1980 of Trinidad and Tobago, where companies are required to appropriate towards statutory reserve at least 25% of the prior year's profit until the excess of assets over liabilities equals or exceeds the reserve in respect of its unearned premiums. The general insurance companies in Trinidad and Tobago comply with this requirement.

The Financial Institutions Act 1993 requires a financial institution in Trinidad and Tobago to transfer annually a minimum of 10% of its profit after taxation to a reserve fund until the balance on this reserve is not less than the paid up capital of the institution. The asset management company in Trinidad and Tobago complies with this requirement.

2. Significant accounting policies (continued)

2.16 Insurance and investment contracts (continued)

(k) Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (salvage). The Group may also have the right to pursue third parties for payment of some or all costs (subrogation). The estimated cost of claims includes a deduction for the expected value of salvage and other recoveries.

2.17 Borrowings

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

2.18 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 taxable income for the year using the prevailing tax rate and any adjustment of 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. Deferred tax assets are taxes recoverable in future periods in respect of deductible temporary differences and tax losses carried forward. Net deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Tax on the profit is charged at varying rates depending on the type of business that the individual entities are engaged in and the country in which they reside.

2.19 Employee benefits

(a) Pension Plans

The Group operates a number of defined benefit and defined contribution plans, the assets of which are 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 after taking account of the recommendations of the 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. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.

The asset recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the consolidated statement of financial position date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. Plan assets exclude any insurance contracts issued by the Group.

For defined benefit plans, the pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the consolidated 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 full valuations 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 recognized immediately in the consolidated statement of comprehensive income.

The Group's contributions to the defined contribution pension plans are charged to the consolidated income statement in the year to which they relate.

2. Significant accounting policies (continued)

2.19 Employee benefits (continued)

(b) Post Retirement Medical Benefit Obligations

The Group's subsidiary in the Netherlands Antilles and Aruba provides post-retirement medical benefits to its permanent employees who retire from active service, their spouses and their dependents. The entitlement to these benefits is based on the employee remaining in service up to retirement age or leaving service due to ill health. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit plans. All actuarial gains and losses are recognized immediately. Independent qualified actuaries carry out a valuation of these obligations.

(c) Share-based compensation

The Group operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each consolidated statement of financial position date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the consolidated income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

(d) Employee share ownership plan ("ESOP")

The employees of subsidiaries incorporated in Trinidad and Tobago have the option to receive their bonuses in cash and/or ordinary shares of the parent company purchased on the open market, in accordance with the terms outlined in the Trust Deed governing an approved ESOP. The Group recognizes an expense within staff costs when bonuses are awarded.

(e) Profit sharing and bonus plans

The Group recognizes a liability and an expense for bonuses and profit sharing based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognizes a provision where contractually obligated or where there is a past practice that has created a constructive obligation.

2.20 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.21 Revenue recognition

Revenue comprises the fair value for services rendered after eliminating revenue within the Group. Revenue is recognized as follows:

(a) Premium income

Premium income is recognized on the accrual basis in accordance with the terms of the underlying contracts as outlined in Note 2.16.

(b) Investment income

Interest income is recognized using the effective interest method. Rental income is recognized in the consolidated income statement on the accrual basis. Dividend income is recognized when the right to receive payment is established. Realized and unrealized investment gains and losses are recognized in the consolidated income statement in the period in which they arise.

2. Significant accounting policies (continued)

2.21 Revenue recognition (continued)

(c) Commission income

Commissions are recognized on the accrual basis when the service has been provided.

(d) Fee income

Fees are earned from the management of the assets of the segregated funds and deposit administration funds and from general policy administration and surrenders. Fees are recognized in the period in which the services are rendered.

For the asset management companies in the Group, portfolio, asset management fees and other management advisory and service fees are recognized based on the applicable service contracts over the period the service is provided. Management fees and commissions arising from negotiating, or participating in the negotiation of a transaction for a third party are recognized on completion of the underlying transaction.

2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as an appropriation in the Group's financial statements in the period in which the dividends are approved by the Group's Board of Directors.

2.24 Comparative information

Where necessary, comparative data has been adjusted to conform with changes in presentation in the current year. Adjustments to previously reported results were made in accordance with IAS 8 – Accounting policies, changes in accounting estimates and errors. The financial statements have been restated for the years ended 31 December 2008 and 31 December 2009 and the impact of these adjustments and reclassifications are summarized in Note 49 - Restatements and Reclassifications.

2.25 Finance charges

Finance charges are recognized as an expense in the period in which they are incurred except to the extent that they are capitalized when directly attributable to the acquisition, construction or production of an investment property or in developing properties for sale.

2.26 Earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the period.

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, such as convertible debt and share options granted to employees. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net earnings per share.

2.27 Assets under management

The Group provides custody and trustee discretionary investment management services to third parties. Such assets under management include the managed funds and mutual funds administered by the asset management companies.

2. Significant accounting policies (continued)

2.28 Subscriptions and Redemptions on Mutual Fund Portfolio

(a) Subscriptions - Units relating to the various pools of mutual funds consolidated in the Group's financial statements could be subscribed based on the net asset value per unit of the underlying funds determined in each business day.

(b) Redemptions - Units relating to the various pools of mutual funds consolidated in the Group's financial statements are redeemed at a price per unit based on the net asset value of the underlying funds published on the date that the request is made.

3. Critical Accounting Estimates And Judgments In Applying Accounting Policies

The Group makes estimates and assumptions that may affect the reported amounts of assets and liabilities during the succeeding 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.

(a) The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is an important accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims in particular, the claims arising from motor, casualty and health insurance contracts.

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

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Group. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard mortality tables adjusted where appropriate to reflect the Group's own experience or expectations. For contracts that insure the risk of longevity, no allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics (such as AIDS or SARS) and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Group 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 Group is exposed to longevity risk.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments. See Note 4.1.4 (e) for the sensitivity of the value of insurance liabilities to changes in assumptions used to value these liabilities.

(c) Value to shareholders of inforce long-term business

In determining this value, assumptions relating to future mortality, persistence and the level of expenses are based on experience of the type of business concerned. The assumptions made and methods employed are reviewed each year in light of the actual experience and data available. Any significant changes made to these can create a source of profit or loss. The following tables present the effect on the profit or loss to changes in the assumptions used in the estimation of value to shareholders of inforce long term business.

	Change in Variable	Effect on Consolidated Income	
		2010	2009
For the Trinidadian life insurance subsidiaries:		$'000	$'000
Variable			
Worsening of mortality	+ 1.0%	4,335	3,945
Improvement of annuitant mortality	+ 5.0%	5,882	5,006
Lowering of investment returns	- 1.0 %	39,467	36,257
Worsening of base renewal expense level	+ 5.0%	14,783	13,841
Worsening of expense inflation rate	+ 1.0%	23,073	19,504

3. Critical Accounting Estimates And Judgments In Applying Accounting Policies (continued)

(c) Value to shareholders of inforce long-term business (continued)

	Change in variable		Effect on Consolidated Income	
	2010	**2009**	**2010**	**2009**
For the Jamaican life insurance subsidiary:			**$'000**	**$'000**
Variable				
Increase in interest rate	2%	2%	(63,650)	289,329
Decrease in interest rate	-2%	-2%	108,274	401,586

(d) Fair valuation of financial assets

The fair value of financial assets that are not traded in an active market is determined by using an internally developed bond valuation model. Assumptions used in this model are validated and periodically reviewed internally by qualified personnel. Where applicable, data is calibrated to ensure that outputs reflect actual data and comparative market prices. Changes in assumptions used in valuations could affect reported fair value of financial assets. Key assumptions are based on current market yields. The following shows the effect on the profit or loss to changes in the market yields.

	Effect on Consolidated Income			
	2010		**2009**	
	$'000	**$'000**	**$'000**	**$'000**
For the Trinidadian life insurance subsidiaries:				
Decrease / (increase) in market yields (+ / - 10%)	(23,444)	164,848	23,557	118,126
For the Jamaican life insurance subsidiary:				
Decrease / (increase) in market yields (+ / - 2%)	(13,034)	(13,034)	33,742	(33,742)

(e) Impairment losses on loans, receivables and other assets

The Group reviews its asset portfolios to assess impairment on a periodic basis. In determining whether an impairment loss should be recognized in the consolidated income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the underlying portfolios. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(f) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3. Critical Accounting Estimates And Judgments In Applying Accounting Policies (continued)

(g) Held-to-maturity investments

The Group follows the IAS 39 guideline on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity dates as held to maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire category as available for sale. The investments would therefore be measured at fair value not amortized cost. If the entire class of held to maturity investments is tainted, the carrying value would increase by $231 million as at 31 December 2010 (as at 31 December 2009: decrease of $60 million) with a corresponding entry in the fair value reserve in shareholders' funds.

(h) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

4. Management of Insurance and Financial Risk

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

4.1 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 Group 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 or severity 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 Group 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.

4.1.1 Casualty insurance risks

(a) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (subrogation).

The Group’s reinsurance arrangements include non proportional excess of loss placements on a per claimant and a per occurrence basis.

4. Management of Insurance and Financial Risk (continued)

4.1 Insurance risk (continued)
4.1.1 Casualty Insurance Risks (continued)
(b) Sources of uncertainty in the estimation of future claim payments

Claims on casualty contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and a large element of the claims provision relates to IBNR. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees (for employer's liability cover) or members of the public (for public liability cover). Such awards are lump-sum payments that are calculated as the present value of the lost earnings and rehabilitation expenses that the injured party will incur as a result of the accident.

The estimated cost of claims includes direct expenses to be incurred in settling claims. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR and a provision for reported claims not yet paid at the consolidated statement of financial position date.

In calculating the estimated cost of unpaid claims (both reported and IBNR), the Group estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a particular financial year in relation to such claims) and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes.

The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims has happened. For casualty contracts, the IBNR proportion of the total liability is high and will typically display greater variability between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities.

In estimating the liability for the cost of reported claims not yet paid the Group considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

Where possible, the Group adopts multiple techniques to estimate the required level of provisions. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Note 22.2 presents the development of the estimate of ultimate claim cost for claims notified in a given year. This gives an indication of the accuracy of the Group's estimation technique for claims payments.

4.1.2 Short duration life insurance contracts

(a) Frequency and severity of claims

Short-duration life insurance contracts are contracts which are typically of a short tenure with the tenure being often determined by the length of an individual's time in employment. These contracts are mainly issued to employers to insure their commitments to their employees. The risk is affected by the nature of the industry in which the employer operates. The risk of death and disability will vary by industry.

The Group attempts to manage this risk through its underwriting and claims handling. Additionally there is reinsurance on short-duration life insurance contracts. For the Jamaican life insurance subsidiary, there is concentration of risk in the services sector. For the Trinidadian life insurance subsidiaries, there is concentration of risk in the banking / finance sector and the retail / services sector.

4. Management of Insurance and Financial Risk (continued)

4.1 Insurance risk (continued)

4.1.2 Short duration life insurance contracts (continued)

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

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. The group currently does so using conservative assumptions.

(c) Changes in assumptions

The Group's assumptions in respect of short duration life insurance contracts have not changed from prior year.

4.1.3 Property insurance contracts

(a) Frequency and severity of claims

For property insurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example, river flooding and hurricanes) and their consequences (for example, subsidence claims). For certain contracts, the Group has also limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year.

The Group has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claims payment limits are always included to cap the amount payable on occurrence of the insured event. The cost of rebuilding properties, of replacement or indemnity for contents and the time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from storm or flood damage. The Group analyses the property exposures using in-house and external modelling tools and purchases sufficient reinsurance protection to cover its perceived liabilities.

The Group’s reinsurance arrangements include proportional quota share and surplus arrangements and non proportional excess of loss placements on a per claimant and a per occurrence basis.

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

Property claims are analyzed separately for subsidence and non-subsidence claims. The development of large losses/catastrophes is analyzed separately. Non-subsidence claims can be estimated with greater reliability, and the Group estimation processes reflect all the factors that influence the amount and timing of cash flows from these contracts. The shorter settlement period for these claims allows the Group to achieve a higher degree of certainty about the estimated cost of claims, and relatively little IBNR is held at year end. The longer time needed to assess the emergence of a subsidence claim makes the estimation process more uncertain.

4.1.4 Long-term insurance contracts

(a) Frequency and severity of claims

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

At present, these risks do not vary significantly in relation to the location of the risk insured by the Group. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

For contracts with fixed and guaranteed terms, there are no mitigating terms and conditions that reduce the insurance risk accepted. For contracts, without fixed terms, a significant portion of the insurance risk is shared with the insured party. The Group charges for mortality risk on a monthly basis for most life and critical insurance contracts without fixed terms. It has the right to alter these charges based on its mortality experience and hence minimize its exposure to mortality risk.

4. Management of Insurance and Financial Risk (continued)

4.1 Insurance risk (continued)

4.1.4 Long-term insurance contracts (continued)

(a) Frequency and severity of claims (continued)

The Group manages these risks through its underwriting strategy and reinsurance arrangements. Medical selection is included in the Group's underwriting procedures with premiums varied to reflect the health condition and family medical history of the applicants. The Group uses excess of loss reinsurance contracts with retention limits that vary by product.

The table below presents the concentration of insured benefits across five bands per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above. These tables do not include annuity contracts, for which a separate analysis is reported further below.

For the Jamaican life insurance subsidiary:	**2010 - Total benefits insured**			
	Before reinsurance		**After reinsurance**	
Benefits assured per life	**TT$'000**	**%**	**TT$'000**	**%**
$'000				
J$1,000 - 5,000 (TT$70 - TT$350)	11,319	87.9%	11,117	95.0%
J$5,001 - 10,000 (TT$350 - TT$699)	931	7.2%	468	4.0%
J$10,001 - 15,000 (TT$699- TT$1,049)	212	1.6%	63	0.5%
J$15,001 - 20,000 (TT$1,049 - TT$1,398)	126	1.0%	26	0.2%
J$20,001 and over (TT$1,398 and over)	294	2.3%	36	0.3%
Total	12,882	100.0%	11,710	100.0%

The risk is concentrated in the lower value bands. This has not changed from last year.

	2009 - Total benefits insured			
	Before reinsurance		**After reinsurance**	
Benefits assured per life	**TT$'000**	**%**	**TT$'000**	**%**
$'000				
J$1,000 - 5,000 (TT$70 - TT$350)	10,688	87.9%	10,488	95.0%
J$5,001 - 10,000 (TT$350 - TT$699)	872	7.2%	438	4.0%
J$10,001 - 15,000 (TT$699- TT$1,049)	184	1.5%	55	0.5%
J$15,001 - 20,000 (TT$1,049 - TT$1,398)	111	0.9%	23	0.2%
J$20,001 and over (TT$1,398 and over)	308	2.5%	37	0.3%
Total	12,163	100.0%	11,041	100.0%

For the Trinidadian life insurance subsidiaries:	**2010 - Total benefits insured**			
	Before reinsurance		**After reinsurance**	
Benefits assured per life	**TT$'000**	**%**	**TT$'000**	**%**
$'000				
0 - 250 (TT$)	201,630	86.4%	185,882	91.9%
250-500 (TT$)	9,541	4.1%	6,719	3.3%
500 -1,000 (TT$)	9,175	3.9%	5,640	2.8%
1,000 - 3,000 (TT$)	11,200	4.8%	3,867	1.9%
More than 3,000 (TT$)	1,937	0.8%	163	0.1%
Total	233,483	100.0%	202,271	100.0%

The risk is concentrated in the lower value bands. This has not changed from last year.

4. Management of Insurance and Financial Risk (continued)

4.1 Insurance risk (continued)

4.1.4 Long-term insurance contracts (continued)

(a) Frequency and severity of claims (continued)

For the Trinidadian life insurance subsidiaries (continued):

	2009 - Total benefits insured			
	Before reinsurance		After reinsurance	
Benefits assured per life $'000	**TT$'000**	**%**	**TT$'000**	**%**
0 - 250 (TT$)	217,724	87.9%	199,665	92.3%
250 - 500 (TT$)	9,604	3.9%	6,670	3.1%
500 -1,000 (TT$)	8,261	3.3%	5,393	2.5%
1,000 - 3,000 (TT$)	10,368	4.2%	4,282	2.0%
More than 3,000 (TT$)	1,681	0.7%	254	0.1%
Total	247,638	100.0%	216,264	100.0%

For the Netherland Antilles and Aruba life insurance subsidiaries:

	2010 - Total benefits insured			
	Before reinsurance		After reinsurance	
Benefits assured per life $'000	**TT$'000**	**%**	**TT$'000**	**%**
NAF$0 - 500 (TT$0 - TT$1,769)	2,378,682	87.8%	2,303,725	97.9%
NAF$501 - 1,000 (TT$1,769 - TT$3,538)	198,062	7.3%	42,516	1.8%
NAF$1,001 - 1,500 (TT$3,538 - TT$5,307)	81,890	3.0%	8,184	0.3%
NAF$1,501 - 2,000 (TT$5,307 - TT$7,075)	23,077	0.9%	-	0.0%
More than NAF$2,000 (TT$7,075)	28,502	1.0%	-	0.0%
Total	2,710,213	100.0%	2,354,425	100.0%

The risk is concentrated in the lower value bands. This has not changed from last year.

	2009 - Total benefits insured			
	Before reinsurance		After reinsurance	
Benefits assured per life $'000	**TT$'000**	**%**	**TT$'000**	**%**
NAF$0 - 500 (TT$0 - TT$1,769)	2,253,050	88.5%	2,140,527	98.4%
NAF$501 - 1,000 (TT$1,769 - TT$3,538)	193,720	7.6%	34,528	1.6%
NAF$1,001 - 1,500 (TT$3,538 - TT$5,307)	59,975	2.3%	-	0.0%
NAF$1,501 - 2,000 (TT$5,307 - TT$7,075)	6,794	0.3%	-	0.0%
More than NAF$2,000 (TT$7,075)	33,527	1.3%	-	0.0%
Total	2,547,066	100.0%	2,175,055	100.0%

4. Management of Insurance and Financial Risk (continued)

4.1 Insurance risk (continued)

4.1.4 Long-term insurance contracts (continued)

(a) Frequency and severity of claims (continued)

The following tables for annuity insurance 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 Group does not hold any reinsurance contracts against the liabilities carried for these contracts.

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.

For the Jamaican life insurance subsidiary:

	Total annuities payable per annum			
	2010		2009	
	TT$'000	%	TT$'000	%
Annuity payable per annum per life $'000				
J$ 0 - 200,000 (TT$0 - TT$13,980)	32,480	31.1%	40,240	33.2%
J$200,001 - 300,000 (TT$13,980 - TT$20,970)	14,930	14.3%	12,710	10.5%
J$300,001 - 400,000 (TT$20,970 - TT$27,960)	8,145	7.8%	9,879	8.2%
J$400,001 - 500,000 (TT$27,960 - TT$34,950)	6,577	6.2%	7,216	6.0%
More than J$500,000 (More than TT$34,950)	42,433	40.6%	51,016	42.1%
Total	104,565	100.0%	121,061	100.0%

The greatest risk concentration remains at the highest band and lowest band which is consistent with the prior year.

For the Trinidadian life insurance subsidiaries:

	Total annuities payable per annum			
Annuity payable per annum per life	2010		2009	
$'000	TT$'000	%	TT$'000	%
0 - 5,000 (TT$)	6,057	7.7%	5,978	8.8%
5,001 - 10,000 (TT$)	10,800	13.9%	9,491	14.0%
10,001 - 20,000 (TT$)	19,172	24.6%	17,601	26.0%
More than 20,000 (TT$)	41,897	53.8%	34,610	51.2%
Total	77,926	100.0%	67,680	100.0%

The greatest concentration remains at the highest band, which is consistent with the prior year.

For the Netherland Antilles and Aruba life insurance subsidiaries:

	Total annuities payable per annum			
	2010		2009	
	TT$'000	%	TT$'000	%
Annuity payable per annum per life $'000				
NAF$0 - 10 (TT$0 - TT$35)	1,515	11.1%	1,265	10.1%
NAF$11 - 20 (TT$35 - TT$71)	2,705	19.7%	2,709	21.6%
NAF$21 - 30 (TT$71 - TT$106)	2,412	17.6%	2,355	18.8%
NAF$31 - 40 (TT$106 - TT$142)	2,756	20.1%	2,280	18.2%
NAF$41 - 50 (TT$142 - TT$177)	1,283	9.4%	1,147	9.2%
More than NAF$50 (More than TT$177)	3,038	22.1%	2,766	22.1%
Total	13,709	100.0%	12,522	100.0%

The risk is spread over all the bands which is consistent with the prior year.

4. Management of Insurance and Financial Risk (continued)

4.1 Insurance risk (continued)

4.1.4 Long-term insurance contracts (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 Group uses appropriate base tables of standard mortality according to the type of contract being written and the territory in which the insured person resided. An investigation into the actual experience for the Group is carried out periodically, and the results compared to that used in the policyholder liability and value to shareholders of inforce long-term business figures. No adjustment for future mortality improvements is made for contracts that insure survival.

(c) Process used to decide on assumptions

For long term insurance contracts, the Group determines assumptions in relation to future deaths, voluntary termination, investment returns, administrative expenses and other items that are appropriate to the policies, their location and the local statutory reserving requirements. In the case of Jamaica, the assumptions are best estimate assumptions with appropriate provisions for adverse deviations, consistent with the use of a Policy Premium Method valuation. For other territories, the assumptions used are those appropriate for traditional net premium valuation methods.

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

- **Mortality**
  An appropriate base table of standard mortality is chosen depending on the type of contract. For contracts insuring survivorship, no allowance is made for future mortality improvements.

- **Morbidity**
  Estimates of the future incidence of critical illness is made using the reinsurance terms available to the Group as a guide.

- **Persistency**
  An investigation into the Group's experience is performed to determine an appropriate persistency rate. Persistency rates vary by product type and policy duration.

- **Investment returns**

  The Group sets the investment return assumption based on the total expected return available on suitable investment asset classes.

- **Renewal expense level and inflation**

  The current level of expenses is taken as an appropriate expense base with allowance for future expense inflation.

- **Tax**
  It has been assumed that current tax legislation and rates for long-term insurance companies continue unaltered.

4. Management of Insurance and Financial Risk (continued)

4.1 Insurance risk (continued)

4.1.4 Long-term insurance contracts (continued)

(d) Change in assumptions

- **Determination of liabilities:**

	2010 $'000	2009 $'000
For the Jamaican life insurance subsidiary:		
Changes in expense assumptions	(189,006)	(16,986)
Changes in lapse assumptions	–	(1,082)
Changes in investment returns	207,867	41,512
Other assumptions	652	786

For the Trinidadian life insurance subsidiaries:
No changes have been made to the assumptions used to determine the value of long-term insurance liabilities.

For the Netherland Antilles and Aruba insurance subsidiaries:
No changes have been made to the assumptions used to determine the value of long-term insurance liabilities.

(e) 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.

Long-term insurance contracts with fixed and guaranteed terms and without DPF:

Variable	Change in Variable 2010	Change in liability 2010 $'000	Change in Variable 2009	Change in liability 2009 $'000
For the Jamaican life insurance subsidiary:				
Worsening of mortality	+10.0%	46,861	+10.0%	33,820
Improvement of annuitant mortality	+0.0%	-	+1.0%	9,417
Lowering of investment returns	-2.0%	351,228	-1.0%	232,608
Worsening of base renewal expense level	+5.0%	30,648	+5.0%	22,857
Worsening of expense inflation rate	+1.0%	102,250	+1.0%	67,209
For the Trinidadian life insurance subsidiaries:				
Worsening of mortality	+1.0%	1,256	+1.0%	1,095
Improvement of annuitant mortality	+0.5%	14,035	+0.5%	12,674
Lowering of investment returns	-1.0%	69,565	-1.0%	69,346
Worsening of base renewal expense level	+5.0%	257	+5.0%	196
Worsening of expense inflation rate	+1.0%	784	+1.0%	672
For the Netherland Antilles and Aruba life insurance subsidiaries:				
Worsening of mortality	+10.0%	43,649	+10.0%	40,268
Improvement of annuitant mortality	+10.0%	3,703	+10.0%	3,928

4. Management of Insurance and Financial Risk (continued)

4.1 Insurance risk (continued)

4.1.4 Long-term insurance contracts (continued)

(e) Sensitivity analysis (continued)

Long-term insurance contracts with fixed and guaranteed terms and with DPF:

Variable	Change in Variable 2010	Change in liability 2010 $'000	Change in Variable 2009	Change in liability 2009 $'000
For the Jamaican life insurance subsidiary:				
Worsening of mortality	+10.0%	213	+10.0%	464
Lowering of investment returns	-2.0%	2,903	-1.0%	2,004
Worsening of basis renewal expense level	+5.0%	796	+5.0%	994
Worsening of expense inflation	+1.0%	1,302	+1.0%	1,433
For the Netherland Antilles and Aruba life insurance subsidiaries:				
Worsening of mortality	+10.0%	11,447	+10.0%	11,698

The above analyses are based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

4.2 Financial risk

The Group is exposed to 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 the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The components of this financial risk are interest rate risk, equity price risk, foreign currency risk, liquidity risk and credit risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

Risk management is carried out by Executive Investment Committees and Actuarial departments of operating units under policies approved by the Group's board of directors. The Group identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

4.2.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk - currency risk, interest rate risk and other price risk each of which are considered below.

(a) Currency risk

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency rates on its financial position and cash flows. The Group has operations in the Caribbean as well as operations at Lloyd's which underwrites risks on a worldwide basis. The main exposure to risks are in respect to the US dollar, Antillean Guilder, Jamaican dollar and the Sterling. The Group's strategy for dealing with foreign exchange risk is to offset as far as possible foreign currency liabilities with assets denominated in the same currency.

Each subsidiary has an Executive Investment Committee which has oversight for the management of currency risk. The Trinidad insurance subsidiaries' exposure to currency risk is also mitigated by the requirements of the Insurance Act 1980, which does not allow more than 20% of the assets supporting policyholder liabilities to be held in currencies other than the currency of the liability.

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.1 Market risk (continued)

(a) Currency risk (continued)

The tables below summarizes the Group's exposure to foreign currency exchange rate risk as at 31 December. The Group's assets and liabilities at carrying amounts are included in the table categorized by currency positions expressed in TT$ equivalents

	TT	US	NAF	JMD	GBP	Euro	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 DECEMBER 2010								
Total Assets	6,064,631	4,204,189	3,164,524	3,397,189	2,261,019	1,108,796	787,447	20,987,795
Total Liabilities	7,086,006	1,394,822	3,745,964	2,602,643	2,220,964	303,265	503,807	17,857,471
	(1,021,375)	2,809,367	(581,440)	794,546	40,055	805,531	283,640	3,130,324
As at 31 DECEMBER 2009								
Total Assets	5,894,848	4,035,692	3,048,865	3,902,997	2,962,809	1,175,661	689,122	21,709,994
Total Liabilities	6,588,625	1,933,973	3,434,590	3,246,487	2,912,270	810,236	441,376	19,367,557
	(693,777)	2,101,719	(385,725)	656,510	50,539	365,425	247,746	2,342,437

The analysis below is performed for reasonable possible movements in key variables with all other variables held constant, showing the impact of on the consolidated income statement and equity due to changes in foreign currency exchange rates at the reporting date.

Change in variables	US	NAF	JMD	GBP	Euro	Other	
	1%	2%	2%	2%	5%	1%	
	US	NAF	JMD	GBP	Euro	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Impact on income statement							
2010	897	(1,541)	152	(5,729)	1,333	1,289	(3,599)
2009	(1,489)	63	54	69,078	8,782	711	77,199
Impact on equity							
2010	20,423	17,134	17,489	4,989	39,916	1,469	101,420
2009	(53,743)	4,108	58,200	8,515	1,320	2,516	20,916

(b) Interest rate risk

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The major element of interest rate risk within the Group is the risk that the interest earned on the Group's investments is insufficient to meet the interest rates credited or guaranteed to policyholders. This applies to traditional life insurance policies and the deposit administration plans.

Exposure is managed largely by the use of natural hedges that arise by matching interest sensitive assets with liabilities of a similar nature. The Group also mitigates the effect of interest rate risk of the investment portfolio through the functioning of an Executive Investment Committee and the pricing of products by the actuarial function. The investment portfolio return is continually monitored by the Investment Committee. The results of these reviews inform the pricing of products and interest rates to be credited to the respective policies and plans.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. For the sensitivity analyses, a 1% movement in interest rates was used for 2010 for the Trinidad market (2009 - 1%), a 2% movement was used for 2010 for the Jamaica market (2009 - 2%) and a 1% movement for 2010 was used for the Netherland Antilles and Aruba (2009 - 0.38%). The effect of an increase in the above rates would result in a decrease in the consolidated income statement and equity of $223,300,000 for 2010 (2009: decrease of $124,914,000). The effect of a decrease in the above rates would result in an increase in the consolidated income statement and equity of $221,901,000 for 2010 (2009: increase of $124,520,000).

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.1 Market risk (continued)

(c) Other price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as fair value through profit or loss. The Group manages its price risk by limiting the amount of its investments in equities and by monitoring movements in equity prices.

The sensitivity analysis for equity risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices at the reporting date. For the sensitivity analysis, a 8% movement in prices of local equities was used for 2010 for the Trinidad market (2009 - 5%), a 10% movement in prices of local equities was used for 2010 for the Jamaica market (2009 - 10%) and a 1% movement for 2010 was used for Netherland Antilles and Aruba (2009 - 0.07%) . The effect of an increase / decrease in the above rates would result in an increase / decrease in the consolidated income statement and equity of $121,159,000 for 2010 (2009: $76,417,000).

4.2.2 Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due, at a reasonable cost. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions.

Certain of the Group's contracts have features that allow them to be terminated at short notice creating a potential liquidity exposure. The Group monitors liquidity on a regular basis. An internally constituted Executive Investment Committee set limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover claims.

There are no individual contracts or policyholders who have the potential to influence the withdrawal of a significant amount of liabilities.

The following tables analyze the insurance and financial liabilities of the Group into relevant maturity groupings based on the remaining period, at consolidated statement of financial position date, to the contractual maturity date. The amounts disclosed in the table are at contractual undiscounted cash flows with the exception of insurance contracts and investment contracts which are at expected undiscounted cash flows.

			Undiscounted cash flows		
As at 31 DECEMBER 2010	**Carrying amount $'000**	**No stated maturity $'000**	**Less than one year $'000**	**One - five years $'000**	**Over five years $'000**
Insurance and financial liabilities					
Long-term insurance contracts	8,809,734	1,642,481	386,265	2,127,216	13,525,861
Short-term insurance contracts	3,644,029	–	2,500,649	1,126,314	17,066
Investment contracts	1,455,180	1,432,925	22,255	–	–
Medium term borrowings	1,151,680	–	360,880	1,090,825	–
Short-term borrowings	89,841	–	90,523	–	–
Derivative financial instruments	24,856	–	–	24,856	–
Mutual Funds holders liabilities	1,065,548	1,065,548	–	–	–
Interest payable	8,175	–	8,175	–	–
Other Liabilities	758,835	65,181	693,654	–	–
Segregated funds' liabilities	459,937	459,038	91	698	110
Total	17,467,815	4,665,173	4,062,492	4,369,909	13,543,037

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.2 Liquidity risk (continued)

			Undiscounted cash flows		
As at 31 DECEMBER 2009	**Carrying amount $'000**	**No stated maturity $'000**	**Less than one year $'000**	**One - five years $'000**	**Over five years $'000**
Insurance and financial liabilities					
Long-term insurance contracts	7,974,153	1,119,715	353,721	1,802,643	12,655,783
Short-term insurance contracts	2,711,795	–	1,996,096	704,896	10,803
Investment contracts	1,394,584	1,321,370	73,214	–	–
Medium term borrowings	1,972,905	–	208,961	1,438,367	799,280
Short-term borrowings	210,715	–	210,715	–	–
Repurchase agreements	1,277,890	–	1,277,890	–	–
Mutual Funds holders liabilities	866,167	866,167	–	–	–
Bank overdrafts	436	–	436	–	–
Interest payable	40,580	–	40,580	–	–
Other liabilities	702,710	65,136	625,320	12,254	–
Segregated funds' liabilities	400,944	397,609	83	648	2,604
Total	17,552,879	3,769,997	4,787,016	3,958,808	13,468,470

4.2.3 Credit risk

Credit risk is defined as the potential for loss that can occur as a result of an individual, counterparty or issuer being unable or unwilling to honour its contractual obligations to us. Each subsidiary in the various jurisdictions, has an Executive Investment Committee (EIC) that sets credit limits and monitors exposure by constraining the magnitude and tenor of the exposure to counterparties and issuers. Some of the credit risk mitigation techniques include, where appropriate, the right to require initial collateral or margin, the right to terminate transactions or to obtain collateral (including guarantees) should unfavorable events occur. The EIC initiates regular portfolio reviews, monitors counterparty creditworthiness, and evaluates potential transaction risks with a view towards early problem identification and protection against unacceptable credit-related losses.

The Group actively monitors the financial status of its reinsurers both by reference to publicly available information and the Financial Strength Ratings of A.M. Best. All of the Group's reinsurers are rated superior by A.M.Best. A rating of superior is assigned to reinsurance companies that have, in the opinion of A.M. Best, a superior ability to meet their ongoing obligations to the primary insurer.

(a) Assets bearing credit risk

Below is an analysis of assets bearing credit risk.

	Neither past due nor impaired $'000	**Past due but not impaired $'000**	**Impaired $'000**	**Total $'000**
As at 31 DECEMBER 2010				
Debt securities	9,106,671	10,556	268	9,117,495
Financial assets of mutual fund unit holders	1,096,113	–	–	1,096,113
Deposits with financial institutions (more than 90 days)	852,881	6,619	2,541	862,041
Other financial assets	47,423	–	–	47,423
Interest receivable	238,326	1,609	–	239,935
Loans and receivables including insurance receivables	2,231,200	67,297	103,743	2,402,240
Reinsurance assets	761,614	–	–	761,614
Deferred acquisition costs	369,623	–	–	369,623
Cash and cash equivalents	1,625,938	–	–	1,625,938
	16,329,789	86,081	106,552	16,522,422

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(a) Assets bearing credit risk (continued)

	Neither past due nor impaired $'000	Past due but not impaired $'000	Impaired $'000	Total $'000
As at 31 DECEMBER 2009				
Debt securities	8,467,867	2,155	–	8,470,022
Financial assets of mutual fund unit holders	902,201	–	–	902,201
Deposits with financial institutions (more than 90 days)	893,057	–	2,546	895,603
Other financial assets	28,900	6,138	–	35,038
Interest receivable	298,184	714	–	298,898
Loans and receivables including insurance receivables	2,089,926	48,599	59,965	2,198,490
Reinsurance assets	416,336	–	–	416,336
Deferred acquisition costs	466,541	–	–	466,541
Cash and cash equivalents	2,286,429	–	–	2,286,429
	15,849,441	57,606	62,511	15,969,558

(b) Credit quality of assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings if available or to a rating assigned by the investment manager using an approach consistent with that used by Standard and Poor's. The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Standard & Poor's issued credit rating.

AAA

An obligation rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AA

An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment is very strong.

A

An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

BBB

An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

Below BBB

Obligations rated 'Below BBB' are regarded as having significant speculative characteristics. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

Not Rated

This indicates that there is insufficient information on which to base a rating. These balances are current and are monitored regularly for impairment. This classification includes obligations due from individuals, short term securities and receivables arising under contracts of insurance underwritten in the international property and casualty business of the Group.

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(b) Credit quality of financial assets (continued)

The concentration of credit risk is substantially unchanged compared to prior year.

As at 31 DECEMBER 2010	AAA $'000	AA $'000	A $'000	BBB $'000	Below BBB $'000	Not Rated $'000	Total 2010 $'000
Debt securities	1,344,557	208,042	4,869,538	454,964	2,224,017	5,553	9,106,671
Financial assets of Mutual Fund unit holders	–	–	612,535	191,692	291,886	–	1,096,113
Deposits with financial institutions (more than 90 days)	–	–	547,253	129,148	158,104	18,376	852,881
Other financial assets	–	5,048	9,925	2,667	22,982	6,801	47,423
Interest receivable	18,341	2,290	142,949	9,382	64,433	931	238,326
Loans and receivables including insurance receivables	–	1,426	636,262	19,863	1,769	1,571,880	2,231,200
Reinsurance assets	–	–	723,114	–	–	38,500	761,614
Deferred acquisition costs	–	–	14,727	–	–	354,896	369,623
Cash and cash equivalents	–	118,894	478,332	374,941	107,216	546,555	1,625,938
	1,362,898	335,700	8,034,635	1,182,657	2,870,407	2,543,492	16,329,789

As at 31 DECEMBER 2009	AAA $'000	AA $'000	A $'000	BBB $'000	Below BBB $'000	Not Rated $'000	Total 2009 $'000
Debt securities	1,178,332	97,165	3,251,257	459,548	3,226,858	254,707	8,467,867
Financial assets of Mutual Fund unit holders	–	–	379,700	201,462	99,040	221,999	902,201
Deposits with financial institutions (more than 90 days)	23,048	89,102	516,007	202,257	44,199	18,444	893,057
Other financial assets	–	–	9,901	–	11,163	7,836	28,900
Interest receivable	16,657	2,859	109,447	13,193	132,894	23,134	298,184
Loans and receivables including insurance receivables	–	680	641,288	18,412	5,898	1,423,648	2,089,926
Reinsurance assets	–	–	390,467	–	–	25,869	416,336
Deferred acquisition costs	–	–	13,914	–	–	452,627	466,541
Cash and cash equivalents	–	265,139	643,786	584,327	191,817	601,360	2,286,429
	1,218,037	454,945	5,955,767	1,479,199	3,711,869	3,029,624	15,849,441

(c) Assets that are past due but not impaired

	Carrying Value $'000				
	Less than 3 months	Between 3 and 6 months	Between 6 and 9 months	Between 9 and 12 months	More than 12 months
As at 31 DECEMBER 2010					
Debt securities	8,218	1,313	–	–	1,025
Deposits with financial institutions (more than 90 days)	3,909	898	1,812	–	–
Interest receivable	401	37	134	–	1,037
Loans and receivables including insurance receivables	56,553	(359)	5,095	6,231	(223)
	69,081	1,889	7,041	6,231	1,839

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(c) Assets that are past due but not impaired (continued)

	Carrying Value $'000				
	Less than 3 months	**Between 3 and 6 months**	**Between 6 and 9 months**	**Between 9 and 12 months**	**More than 12 months**
As at 31 DECEMBER 2009					
Debt securities	340	762	–	536	515
Other financial assets	6,138	–	–	–	–
Interest receivable	230	258	–	226	–
Loans and receivables including insurance receivables	42,596	2,129	1,874	1,742	260
	49,304	3,149	1,874	2,504	775

	Fair value of collateral held	
	2010	**2009**
(d) Collateral held in respect of assets that are past due but not impaired	**$'000**	**$'000**
Loans and receivables	1,430	1,110
	1,430	1,110

	Carrying Value	
	2010	**2009**
(e) Financial assets that are impaired	**$'000**	**$'000**
Debt securities	268	–
Deposits with financial institutions (more than 90 days)	2,541	2,546
Loans and receivables including insurance receivables	78,133	59,965
	80,942	62,511

(f) Allowance for Impairment

	Premiums and reinsurance receivables	**Other loans and receivables**	**Financial assets**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Balance at 1 January 2010	39,946	3,918	2,546	46,410
Exchange differences	352	16	(6)	362
Provision for loan impairment	27,401	3,737	269	31,407
Loans written off during the year as uncollectible	(971)	(74)	–	(1,045)
Amounts recovered during the year	(86)	(2,450)	–	(2,536)
Balance at 31 DECEMBER 2010	66,642	5,147	2,809	74,598
Balance at 1 January 2009	15,946	10,276	–	26,222
Exchange differences	330	66	27	423
Provision for loan impairment	33,070	2,518	2,519	38,107
Loans written off during the year as uncollectible	(9,353)	(310)	–	(9,663)
Amounts recovered during the year	(47)	(8,632)	–	(8,679)
Balance at 31 DECEMBER 2009	39,946	3,918	2,546	46,410

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(g) Concentrations of risks of financial assets with credit risk exposure

The following table breaks down the Group's main credit risk exposure at their carrying amounts, as categorized by the industry sectors of counterparties.

	Financial Institutions $'000	Manufacturing $'000	Real Estate $'000	Wholesale & Retail trade $'000	Public sector $'000	Other Industries $'000	Individuals $'000	Total $'000
As at 31 DECEMBER 2010								
Debt securities	1,135,005	50,937	–	26,358	6,635,257	1,229,045	40,893	9,117,495
Financial Assets of Mutual Fund Unit Holders	311,693	–	16,096	5,084	692,774	70,466	–	1,096,113
Deposits with financial institutions	679,157	–	–	–	182,884	–	–	862,041
Other financial assets	–	7,218	–	74	2,667	37,464	–	47,423
Interest receivable	75,803	259	–	381	143,745	13,894	5,853	239,935
Loans and receivables including insurance receivables	9,230	–	529,142	–	26,380	1,492,014	345,474	2,402,240
Reinsurance assets	–	–	–	–	–	761,614	–	761,614
Deferred acquisition costs	–	–	–	–	–	369,623	–	369,623
Cash and cash equivalents	1,586,331	–	–	–	–	39,607	–	1,625,938
	3,797,219	58,414	545,238	31,897	7,683,707	4,013,727	392,220	16,522,422

	Financial Institutions $'000	Manufacturing $'000	Real Estate $'000	Wholesale & Retail trade $'000	Public sector $'000	Other Industries $'000	Individuals $'000	Total $'000
As at 31 DECEMBER 2009								
Debt securities	2,968,075	16,395	8,151	963	4,545,359	439,090	491,989	8,470,022
Financial Assets of Mutual Fund Unit Holders	419,890	-	7,700	5,152	450,055	10,404	9,000	902,201
Deposits with financial institutions	895,603	-	-	-	-	-	-	895,603
Other financial assets	1,173	-	-	-	-	33,865	-	35,038
Interest receivable	111,295	394	-	21	155,585	25,289	6,314	298,898
Loans and receivables including insurance receivables	36,450	-	347,605	-	23,193	1,432,596	358,646	2,198,490
Reinsurance assets	-	-	-	-	-	416,336	-	416,336
Deferred acquisition costs	-	-	-	-	-	466,541	-	466,541
Cash and cash equivalents	1,925,257	-	-	-	11,852	349,320	-	2,286,429
	6,357,743	16,789	363,456	6,136	5,186,044	3,173,441	865,949	15,969,558

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.4 Capital management (continued)

The Group's objectives when managing capital are:

- to comply with the capital requirements required by the regulators of the markets where the Group operates;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

In each country in which the Group operates, the local insurance regulator indicates the required minimum amount and type of capital that must be held by each of the subsidiaries in addition to their insurance liabilities and the Group is subject to insurance solvency regulations in all the territories in which it issues insurance contracts. The minimum required capital must be maintained at all times throughout the year. The Group is subject to insurance solvency regulations in all the territories in which it issues insurance and investment contracts.

The table below summarizes the minimum required capital across the main territories in the Group. The Group has complied with these minimum capital requirements. These figures are an aggregate number, being the sum of the statutory capital and surplus for each insurance subsidiary in each country subject to local regulatory requirements, which may differ from jurisdiction to jurisdiction.

	Guardian Re (SAC) Limited (Formerly Colrich (SAC) Limited)	Guardian General Insurance Ltd and Its Subsidiaries	Jamaica life insurance company	Trinidad life insurance companies	N.A. & Aruba insurance companies	Group
	$'000	$'000	$'000	$'000	$'000	$'000
2010						
Minimum regulatory capital	122,306	167,592	184,279	555,958	222,519	1,252,654
2009						
Minimum regulatory capital	243,174	127,322	154,595	498,350	200,796	1,224,237

The Trinidadian asset management subsidiary holds a license under the Financial Institutions (Non-banking) Act 1993 and as such the subsidiary is required to have a minimum paid up share capital of $15 million. Also the Act requires the subsidiary to transfer a minimum of 10% of its profit after tax to a Statutory Reserve Fund until the balance in the Fund is not less than the paid up capital of the subsidiary as well as the subsidiary's qualifying capital shall be no less than 8% of its risk adjusted assets. The subsidiary has complied with these requirements.

West Indies Alliance Limited (WIAL) is governed by the requirements of the Financial Services Commission (FSC) in Jamaica. The FSC requires each insurance company to hold the minimum level of regulatory capital of J$75,000,000. Each general insurance company is also subject to a Minimum Asset Test (MAT). The minimum standard stipulated by Section 17 (4) of the Insurance (Actuaries) (General Insurance Companies) Regulation 2002 is that a general insurance company shall have a minimum MAT percentage of 150%. However, the company's actual MAT percentage for the financial year end 2010 was 138% (2009 - 132.07%). The company is therefore in technical breach of the regulation. Management is of the view that this shortfall is not considered to be significant, particularly in view of the fact that the Company's solvency ratio is 59%, whilst the minimum requirement is 25%.

5. Property, plant and equipment

	Freehold and Leasehold Properties $'000	Office Furniture and Equipment $'000	Motor Vehicles $'000	Work in Progress $'000	Total $'000
Year ended 31 DECEMBER 2010					
Opening net book amount	389,406	105,123	9,034	5,081	508,644
Exchange rate adjustments	3,018	858	115	19	4,010
Revaluation surplus	1,376	–	–	–	1,376
Additions	11,885	28,604	5,381	236	46,106
Disposals and adjustments	(3,475)	(159)	(1,811)	–	(5,445)
Transfers	2,837	2,088	–	(4,925)	–
Transfer from investment property	3,180	–	–	–	3,180
Depreciation charge	(10,606)	(34,429)	(3,092)	–	(48,127)
Closing net book amount	397,621	102,085	9,627	411	509,744
At 31 DECEMBER 2010					
Cost or valuation	429,147	382,156	20,486	411	832,200
Accumulated depreciation	(31,526)	(280,071)	(10,859)	–	(322,456)
Closing net book amount	397,621	102,085	9,627	411	509,744
Year ended 31 DECEMBER 2009					
Opening net book amount	451,237	123,627	9,321	6,869	591,054
Exchange rate adjustments	(4,865)	(1,201)	(385)	110	(6,341)
Revaluation surplus	4,677	–	–	–	4,677
Additions	37,627	27,223	4,111	3,114	72,075
Disposals and adjustments	(69,197)	(2,464)	(812)	(2,505)	(74,978)
Disposal of subsidiary	(18,097)	(11,548)	–	–	(29,645)
Transfers	500	2,007	–	(2,507)	–
Depreciation charge	(12,476)	(32,521)	(3,201)	–	(48,198)
Closing net book amount	389,406	105,123	9,034	5,081	508,644
At 31 DECEMBER 2009					
Cost or valuation	420,327	328,043	19,746	30,287	798,403
Accumulated depreciation	(30,921)	(222,920)	(10,712)	(25,206)	(289,759)
Closing net book amount	389,406	105,123	9,034	5,081	508,644

5. Property, plant and equipment (continued)

The following are the dates of the last valuations of land and buildings in the Group:

Guardian Life of the Caribbean Limited	-	December 2010
Bancassurance Caribbean Limited	-	December 2010
Guardian Life Limited	-	December 2010
Fatum Holding NV	-	February 2010
Guardian General Insurance Limited	-	December 2010
Chic Management Services Limited	-	December 2010

Valuations were made on the basis of open market value by external independent valuators.

Depreciation expense of $48,127,000 (2009 - $48,198,000) has been charged in other operating expenses.

If freehold and leasehold properties were stated on a historical cost basis, the amounts would be as follows:

	2010 **$'000**	**2009** **$'000**
Cost	342,957	306,459
Accumulated depreciation	(38,062)	(33,621)
Net book amount	304,895	272,838

6. Investment Properties

	2010 $'000	2009 $'000	2008 $'000
Balance at beginning of year	911,221	706,645	607,477
Exchange rate adjustments	(28,970)	(12,824)	(35,991)
Additions	40,156	240,786	151,602
Fair value (losses) (Note 30)	(8,945)	(6,764)	(40,693)
Disposals	–	–	15,000
Re-classification to fixed assets	(3,180)	–	–
Fair value adjustments directly related to the unit linked funds	(4,775)	(16,622)	9,250
Balance at end of year	905,507	911,221	706,645
Rental income	53,765	30,467	30,114
Direct operating expenses incurred in respect of investment property that generated rental income during the period	2,139	2,307	4,376

Included in the investment property balance above is $441,348,000 (2009 -$486,161,000) that relates to the work in progress related to the Group's investment in a mixed commercial and residential urban redevelopment project in Fort De France, Martinique that is carried at cost as fair value is not yet readily determinable.

7. Intangible Assets

	Goodwill $'000	Other $'000	Total $'000
Year ended 31 DECEMBER 2010			
Balance at beginning of year	254,330	15,902	270,232
Exchange rate adjustments	1	649	650
Additions	–	1,632	1,632
Disposals	(2,894)	(12,981)	(15,875)
Amortization	–	(3,155)	(3,155)
Balance at end of year	251,437	2,047	253,484
At 31 DECEMBER 2010			
Cost	251,437	14,479	265,916
Accumulated amortization	–	(12,432)	(12,432)
Net book value	251,437	2,047	253,484
Year ended 31 DECEMBER 2009			
Balance at beginning of year	624,851	19,215	644,066
Exchange rate adjustments	26,700	(1,875)	24,825
Additions	–	5,977	5,977
Impairment	(397,221)	(2,114)	(399,335)
Amortization	–	(5,301)	(5,301)
Balance at end of year	254,330	15,902	270,232
At 31 DECEMBER 2009			
Cost	254,330	36,035	290,365
Accumulated amortization	–	(20,133)	(20,133)
Net book value	254,330	15,902	270,232

7. Intangible Assets (continued)

Other intangible assets represent brand costs, computer software costs and website development costs.

Goodwill is assigned to the Group's cash generating units on acquisition. In accordance with IFRS 3, all assets that gave rise to goodwill were reviewed for impairment at year end using the 'value in use' method. In each case, the cash flow projections are based on financial budgets approved by senior management covering a five year period.

A summary of the goodwill for each cash-generating unit is presented below:

	2010 $'000	2009 $'000
Guardian General Insurance Limited (Note (a) below)	97,459	97,459
Guardian Insurance Limited (Note (a) below)	153,978	153,977
Guardian Asset Management Jamaica Limited (Note (b) below)	–	2,894
	251,437	254,330

(a) For Guardian Insurance Limited and Guardian General Insurance Limited, a discount rate of 10% was used for the Trinidad companies and a discount rate of 15% was used for the Jamaica companies. A cash flow projection term of 5 years was used for both and the growth rate used was 0%. In addition the values assigned to key assumptions reflect past performance. Based on the results of this review, no impairment expense was required for goodwill.

(b) The balance of goodwill related to the acquisition of Guardian Asset Management Jamaica Limited has been written off upon the sale of this investment in August 2010. (Note 31)

8. Investment In Associated Companies

	2010 $'000	2009 $'000
Balance at beginning of year	274,074	271,946
Exchange rate adjustments	(650)	5,146
Loans to associates	–	1,657
Share of profit after tax	23,026	15,573
Dividends received	(12,276)	(12,822)
Reserve and other movements	(318)	10,497
Book value of associated company disposed of	(7,009)	–
Fair value loss on assets held for sale	–	(17,923)
Balance at end of year	276,847	274,074

The Group's interests in its associates were as follows:

Name	Share of Assets $'000	Share of Liabilities $'000	Share of Revenue $'000	Share of Profit after tax $'000	Interest Held %
Jubilee Group Holdings Limited (Formerly Appleclaim Limited)	889,279	827,069	440,725	8,287	39.1
Royal Star Assurance (Bahamas) Ltd	104,188	52,725	89,610	5,457	25.0
M&C General Insurance Company Ltd	–	–	–	622	0.0
Ocho Rios Beach Resorts Limited	89,767	6,832	132	331	24.0
RGM Limited	317,247	189,642	42,064	7,824	33.3
Servus Limited	8,652	5,648	26,689	505	50.0
Total at the end of 2010	1,409,133	1,081,916	599,220	23,026	

Name	Share of Assets $'000	Share of Liabilities $'000	Share of Revenue $'000	Share of Profit after tax $'000	Interest Held %
Jubilee Group Holdings Limited (Formerly Appleclaim Limited)	826,645	769,438	473,810	8,814	38.6
Royal Star Assurance (Bahamas) Ltd	94,012	43,255	101,701	9,655	25.0
M&C General Insurance Company Ltd	11,661	5,243	7,165	1,254	20.0
Ocho Rios Beach Resorts Limited	39,065	7,192	1,017	(13,595)	24.0
RGM Limited	334,483	209,427	48,464	9,129	33.3
Servus Limited	8,141	5,392	27,434	316	50.0
Total at the end of 2009	1,314,007	1,039,947	659,591	15,573	

None of the Group's associated companies are publicly quoted.

9. Financial Assets

	2010		2009		2008	
	Carrying Value $'000	Fair Value $'000	Carrying Value $'000	Fair Value $'000	Carrying Value $'000	Fair Value $'000
Financial assets	11,183,338	11,423,843	10,634,815	10,589,948	10,736,363	10,630,742
Financial assets in Mutual Funds	1,244,907	1,244,907	1,040,532	1,040,532	579,594	579,594
	12,428,245	12,668,750	11,675,347	11,630,480	11,315,957	11,210,336
Financial assets at fair value through profit or loss	6,475,571	6,475,571	7,516,074	7,516,074	7,939,744	7,939,744
Held to maturity financial assets	5,952,674	6,193,179	4,159,273	4,114,406	3,376,213	3,270,592
Total financial assets	12,428,245	12,668,750	11,675,347	11,630,480	11,315,957	11,210,336

	Carrying Value		
Financial assets at fair value through profit or loss	2010 $'000	2009 $'000	2008 $'000
Equity securities:			
- Listed	1,167,218	1,161,393	1,169,164
- Unlisted	49,496	48,632	89,576
	1,216,714	1,210,025	1,258,740
Debt securities:			
- Government securities	2,417,186	3,051,484	3,193,773
- Debentures and corporate bonds	2,400,451	2,407,254	1,892,063
	4,817,637	5,458,738	5,085,836
Deposits with financial institutions (more than 90 days)	291,994	606,847	1,376,536
Other	47,423	35,038	21,797
	339,417	641,885	1,398,333
	6,373,768	7,310,648	7,742,909
Interest receivable	101,803	205,426	196,835
	6,475,571	7,516,074	7,939,744
Current	2,325,412	3,195,988	2,872,208
Non-current	4,150,159	4,320,086	5,067,536
	6,475,571	7,516,074	7,939,744

The carrying amount of financial assets above that was pledged as collateral for liabilities was nil (2009: $63,250,000)

9. Financial Assets (continued)

	2010		2009		2008	
Held-to-maturity financial assets	**Carrying Value $'000**	**Fair Value $'000**	**Carrying Value $'000**	**Fair Value $'000**	**Carrying Value $'000**	**Fair Value $'000**
Debt securities:						
- Government securities	4,671,772	4,947,192	3,082,792	3,065,509	2,515,510	2,421,319
- Debentures and corporate bonds	396,030	410,729	528,718	528,718	368,116	378,869
	5,067,802	5,357,921	3,611,510	3,594,227	2,883,626	2,800,188
Deposits with financial institutions (more than 90 days)	718,883	718,882	430,212	430,213	400,097	400,096
	5,786,685	6,076,803	4,041,722	4,024,440	3,283,723	3,200,284
Interest receivable	165,989	116,376	117,551	89,966	92,490	70,308
	5,952,674	6,193,179	4,159,273	4,114,406	3,376,213	3,270,592

	Carrying Value		
	2010 $'000	**2009 $'000**	**2008 $'000**
Current	831,317	514,015	479,710
Non-current	5,121,357	3,645,258	2,896,503
	5,952,674	4,159,273	3,376,213

9. Financial Assets (continued)

Where fixed rate bonds do not have regular prices in an active market, a projected yield curve based on the most recent issues of government debt is used to estimate fair value. Adjustments are made for credit spreads on non-government issues and features such as call options.

The table below illustrates the movements in financial assets:

	Financial assets at fair value through income statement $'000	Held to maturity financial assets $'000	Total $'000
At beginning of 2010	7,310,648	4,041,722	11,352,370
Exchange differences	132,985	51,054	184,039
Additions	4,549,755	3,115,808	7,665,563
Disposals/maturities	(5,253,599)	(1,422,223)	(6,675,822)
Fair value net gains/(losses)	316,884	(727)	316,157
Impairment losses	(269)	–	(269)
Transfer from assets held for sale	453,952	–	453,952
Capitalized interest	303	1,051	1,354
Disposal of subsidiary	(1,136,891)	–	(1,136,891)
At the end of 2010	6,373,768	5,786,685	12,160,453

	Financial assets at fair value through income statement $'000	Held to maturity financial assets $'000	Total $'000
At beginning of 2009	7,742,909	3,283,724	11,026,633
Exchange differences	(10,413)	(25,920)	(36,333)
Additions	7,272,452	1,732,377	9,004,829
Disposals/maturities	(7,406,747)	(938,000)	(8,344,747)
Fair value net (losses)/gains	160,143	(10,459)	149,684
Impairment losses	(8,408)	–	(8,408)
Disposal of subsidiary	(439,288)	–	(439,288)
At the end of 2009	7,310,648	4,041,722	11,352,370

	Financial assets at fair value through income statement $'000	Held to maturity financial assets $'000	Total $'000
At beginning of 2008	8,657,416	2,478,660	11,136,076
Exchange differences	(516,646)	(39,219)	(555,865)
Additions	8,955,913	1,267,557	10,223,470
Disposals/maturities	(8,794,928)	(444,386)	(9,239,314)
Fair value net gains/(losses)	(560,753)	21,111	(539,642)
Impairment losses	–	–	–
Capitalized interest	1,907	–	1,907
At the end of 2008	7,742,909	3,283,723	11,026,632

10. Loans And Receivables

	2010		2009		2008	
	Carrying Value $'000	Fair Value $'000	Carrying Value $'000	Fair Value $'000	Carrying Value $'000	Fair Value $'000
Loans and receivables	2,453,509	2,376,717	2,288,520	2,259,673	2,573,232	2,219,215

	Carrying Value		
	2010 $'000	2009 $'000	2008 $'000
Debt securities:			
- Government securities	40,816	36,244	33,826
- Debentures and corporate bonds	107,852	97,650	97,046
	148,668	133,894	130,872
Premiums receivable	814,577	812,345	948,139
Due from reinsurers	84,437	95,794	205,594
Provision for impairment of premium and reinsurance receivables	(66,642)	(39,946)	(15,946)
Mortgages	420,697	429,385	444,742
Policy loans	69,303	70,098	76,261
Other loans and receivables	656,489	630,978	687,939
Provision for impairment of other loans and receivables	(5,147)	(3,918)	(10,276)
Inventories	330,998	134,880	79,907
Provision for impairment of inventories (Note 32)	(25,610)	–	–
	2,279,102	2,129,616	2,416,360
Interest receivable	25,739	25,010	26,000
	2,453,509	2,288,520	2,573,232
Current	830,480	802,749	1,359,356
Non-current	1,623,029	1,485,771	1,213,876
	2,453,509	2,288,520	2,573,232

The carrying amount of loans and receivables above that was pledged as collateral for liabilities was $124,575,000 (2009: $121,607,000).

Included in inventories is a portion of the Group's investments in a mixed commercial and residential urban re-development project in Fort De France, Martinique which is intended for sale. This is accounted for at the lower of cost or net realizable value, and accordingly at 31st December, 2010 a provision of $25.6 Million has been recorded (2009: nil).

11. Pension Plan Assets

The following information explains the quantification of the assets recognized in the consolidated statement of financial position and the net income for the year in accordance with the provisions of IAS 19.

	2010 $'000	2009 $'000
Fair value of pension plan assets	577,197	552,607
Less: Present value of funded obligations	(489,572)	(449,930)
	87,625	102,677
Less: Present value of unfunded obligations	(897)	(839)
IAS 19 Consolidated statement of financial position asset	86,728	101,838

IAS 19 consolidated statement of financial position assets represent the economic value that the Group will derive from the pension plan surplus based on its current plans and in accordance with legislative restrictions on the use of pension plan surpluses.

The amount in the consolidated income statement is made up as follows:-	2010 $'000	2009 $'000
Expected return on plan assets	37,000	38,335
Interest cost	(31,131)	(29,741)
Current service cost	(20,447)	(18,113)
Net loss for the year (Note 34)	(14,578)	(9,519)

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

Balance at beginning of year	552,607	520,776
Exchange rate adjustments	2,960	1,888
Expected return on plan assets	37,120	38,411
Benefit payments	(17,052)	(13,579)
Company contributions	13,519	13,757
Contributions by plan participants	634	593
Actuarial losses	(12,591)	(9,239)
Balance at end of year	577,197	552,607

11. Pension Plan Assets (continued)

	2010 $'000	2009 $'000
The movement in the obligation to plan members over the year is as follows:		
Balance at beginning of year	450,769	374,011
Exchange rate adjustments	2,262	1,384
Current service cost	20,447	18,113
Interest cost	31,131	29,741
Contributions by plan participants	634	593
Actuarial losses / (gains)	2,278	40,506
Benefits paid	(17,052)	(13,579)
Balance at end of year	490,469	450,769

The principal actuarial assumptions used for accounting purposes were:

	2010	2009
Discount rates	5.5% - 7.5%	5.5% - 7.5%
Future salary increases	2.5% - 4.5%	3.0% - 4.5%
Expected return on plan assets	5.5% - 7.5%	5.5% - 7.5%
Post retirement mortality	PA90 ultimate/ US table GAM 83 GBM/GBV9095	PA90 ultimate/ US table GAM 83 GBM/GBV9095
Pre-retirement mortality	A67/70 ultimate	A67/70 ultimate
Withdrawal from service	Nil	Nil
Future pension increases	0.0% - 3.5%	0.0% - 3.5%
Proportion of employees opting for early retirement	Nil	Nil

The actual return on plan assets was $19,899,000 (2009: $19,411,000)

Pension plan assets are comprised as follows:	2010 $'000	%	2009 $'000	%
Equity securities	374,313	64.9%	359,479	65.1%
Debt securities	103,362	17.9%	72,439	13.1%
Property	15,100	2.6%	14,500	2.6%
Other	84,422	14.6%	106,189	19.2%
	577,197	100.0%	552,607	100.0%

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the consolidated statement of financial position date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

Expected contributions to post-employment benefit plans for the year ending 31 December 2011 are $28,841,000.

As at 31 December	2010	2009	2008	2007	2006
Present value of defined benefit obligation	(489,572)	(449,930)	(373,255)	(322,540)	(325,717)
Fair value of plan assets	577,197	552,607	520,776	466,185	432,093
Surplus	87,625	102,677	147,521	143,645	106,376
Experience adjustments on plan liabilities	2,278	40,506	20,848	6,395	(4,681)
Experience adjustments on plan assets	(12,591)	(9,239)	(10,597)	(8,547)	(12,303)

12. Value of Inforce Life Insurance Policies

	2010 $'000	2009 $'000	2008 $'000
Balance at beginning of year	583,705	570,243	529,519
Exchange rate adjustments	13,961	(21,659)	(29,589)
Increase / (decrease) for the year	75,808	35,121	70,313
Balance at end of year	673,474	583,705	570,243

Changes in assumptions during the year:

For the Jamaican life insurance subsidiary:			
Changes in expense assumptions	(47,461)	(3,928)	4,087
Changes in lapse assumptions	–	(1,255)	(1,815)
Changes in investment returns	59,290	8,831	(4,783)
Changes in annuity assumptions	–	–	907
Changes in other assumptions	279	(130)	–
Total change	12,108	3,518	(1,604)

There were no changes in the assumptions used for the life insurance subsidiaries in Trinidad, Netherland Antilles and Aruba.

13. Deferred Taxation

The following amounts are shown in the consolidated statement of financial position:

	2010 $'000	2009 $'000	2008 $'000
Deferred tax assets:			
- To be recovered after more than 12 months	20,373	43,448	68,937
- To be recovered within 12 months	5,222	3,930	10,019
	25,595	47,378	78,956
Deferred tax liabilities			
- Crystallizing after more than 12 months	(208,432)	(199,726)	(226,273)
Net deferred tax liability	(182,837)	(152,348)	(147,317)

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through the future taxable profits is probable.

The movement on the net deferred tax account is as follows:

Balance at beginning of year	(152,348)	(147,317)	(171,995)
Exchange rate adjustments	(1,327)	(939)	758
(Charge) / credit for the year (Note 37)	(40,308)	(1,623)	24,399
Tax charged to equity in respect of revaluation of properties	(910)	180	(252)
Disposal of subsidiary	12,060	(2,928)	-
Other movements	(4)	279	(227)
Balance at end of year	(182,837)	(152,348)	(147,317)

13. Deferred Taxation (continued)

The movement in the deferred tax assets and liabilities during the year is attributable to the following items:

	Balance at beginning of year $'000	Exchange rate adjustment $'000	Credit / (charge) for the year $'000	Revaluation of properties $'000	Other movements $'000	Disposal of subsidiary $'000	Balance at Dec 2010 $'000
Future distributions	(126,932)	(510)	(16,317)	–	(4)	–	(143,763)
Value to shareholders of inforce long-term insurance business	(14,281)	–	14,281	–	–	–	–
Zero coupon bonds	(14,907)	–	(1,827)	–	–	–	(16,734)
Pension plan assets	(3,214)	–	4,530	–	–	–	1,316
Accelerated tax depreciation	(10,773)	(239)	(6,171)	–	–	–	(17,183)
Tax losses carried forward	25,666	(56)	(3,155)	–	–	–	22,455
Investments at fair value through profit or loss	14,681	(174)	(27,957)	–	–	12,060	(1,390)
Revaluation of properties	(8,836)	(348)	–	(910)	–	–	(10,094)
Catastrophe reserve	(13,752)	–	(3,692)	–	–	–	(17,444)
	(152,348)	(1,327)	(40,308)	(910)	(4)	12,060	(182,837)

	Balance at beginning of year $'000	Exchange rate adjustment $'000	Credit / (charge) for the year $'000	Revaluation of properties $'000	Other movements $'000	Disposal of subsidiary $'000	Balance at Dec 2009 $'000
Future distributions	(160,485)	873	32,680	–	–	–	(126,932)
Value to shareholders of inforce long-term insurance business	(15,094)	–	813	–	–	–	(14,281)
Zero coupon bonds	(10,535)	–	(4,372)	–	–	–	(14,907)
Pension plan assets	(3,702)	–	488	–	–	–	(3,214)
Accelerated tax depreciation	(9,848)	221	1,541	–	200	(2,887)	(10,773)
Tax losses carried forward	43,264	73	(16,464)	–	(1,388)	181	25,666
Investments at fair value through profit or loss	28,795	(2,792)	(12,567)	–	1,467	(222)	14,681
Revaluation of properties	(9,702)	686	–	180	–	–	(8,836)
Catastrophe reserve	(10,010)	–	(3,742)	–	–	–	(13,752)
	(147,317)	(939)	(1,623)	180	279	(2,928)	(152,348)

14. Reinsurance Assets

	2010 $'000	2009 $'000
This represents the Group's net contractual rights under reinsurance contracts:		
Long term insurance contracts:		
With fixed and guaranteed terms	37,018	39,196
Without fixed terms	14,186	11,892
	51,204	51,088
Short term insurance contracts:		
Claims reported and loss adjustment expenses (Note 22.1(e))	472,217	152,858
Claims incurred but not reported (Note 22.1(e))	12,712	10,385
Unearned premiums (Note 22.1(f))	225,481	202,005
	710,410	365,248
Total reinsurers' share of insurance liabilities	761,614	416,336
Current	493,066	261,093
Non-current	268,548	155,243
Total reinsurers' share of insurance liabilities	761,614	416,336

15. Segregated Funds Of Life Insurance Policyholders

(a) Assets of the segregated funds

The assets listed below are managed by the Jamaican life insurance subsidiary on behalf of certain life insurance policyholders in ten policy segregated funds. These are the Blue Chip Fund, Eagle Growth Fund, Mutual Growth Fund, Shelter Plus Fund, Horizon Equity Fund, in addition to the Guardian Equity Fund, The Guardian Money Market Fund, The Guardian Long Term Growth Fund, The Guardian Stabilization Fund and The Guardian Foreign Currency Indexed Fund. The policyholders share all rewards and risks of the performance of the funds and the assets have been segregated for determining the policyholders' interest in the funds.

Unit values are determined by dividing the value of the assets in the funds on a valuation date by the number of units in the funds on the valuation date. The assets are carried at fair value and returns to investors are based on market valuations.

	2010 $'000	2009 $'000
Investments:		
Government of Jamaica securities	323,985	245,169
Equity securities	73,295	59,976
Securities purchased under resale agreements	14,625	51,102
Unit trust	314	221
Investment properties	2,655	3,086
	414,874	359,554
Other assets	45,063	41,390
	459,937	400,944
Current	59,687	92,491
Non-current	400,250	308,453
	459,937	400,944

The related segregated funds' liability is disclosed as follows:		
Current	59,687	92,491
Non-current	400,250	308,453
	459,937	400,944

(b) Income from segregated funds' investments

Government of Jamaica securities	49,185	50,795
Equity securities	11,443	8,023
Securities purchased under resale agreements	2,087	7,589
	62,715	66,407

16. Deferred Acquisition Costs

	2010 $'000	2009 $'000
Short-term insurance contracts:		
Balance at beginning of year	466,541	521,909
Net exchange differences	(14,608)	16,810
Increase in the year	386,026	551,954
Release in the year	(468,336)	(533,108)
Disposal of subsidiary	–	(91,024)
Balance at end of year	369,623	466,541
Current	297,469	377,486
Non-current	72,154	89,055
	369,623	466,541

17. Cash And Cash Equivalents

	2010 $'000	2009 $'000	2008 $'000
Cash and cash equivalents	1,475,421	2,157,156	3,013,511
Cash and cash equivalents in Mutual Funds	150,517	129,273	39,823
	1,625,938	2,286,429	3,053,334
Cash at bank and in hand	723,326	566,783	787,257
Short term deposits (90 days or less)	752,095	1,590,373	2,226,254
	1,475,421	2,157,156	3,013,511
Bank overdraft (Note 23)	–	(436)	(74)
Net cash and cash equivalents	1,475,421	2,156,720	3,013,437
At beginning of year	2,285,993	3,053,259	
Difference on retranslation of opening balance	4,542	76,562	
Transfer from assets held for sale	295,681	–	
Disposal of subsidiary	(57,589)	(593,214)	
	2,528,627	2,536,607	
At end of year	1,625,938	2,285,993	
Net decrease in cash used in cash flow	(902,689)	(250,614)	
		-	

The interest rate on short term bank deposits held by subsidiaries ranged from 0.79% - 9% (2009: 1.5% – 15%).

18. Assets and Liabilities Held For Sale

In 2009 and in accordance with the requirements of IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, the Group treated all remaining arrangements relating to the disposed UK operations as "assets held for sale" and "liabilities held for sale". During 2010 certain obligations were settled with, and assets transferred to, third parties to complete these transactions. As part of the sale agreement for Zenith Insurance Plc, the Group entered discussions to commute the residual quota share arrangements relating to the disposed business in 2009. During the year the Group decided to retain the relevant assets and liabilities relating to the business and accordingly the assets and liabilities related to this reinsurance arrangement in run-off have been reclassified into the respective component lines of the consolidated statement of financial position for the current year and the consolidated income statement.

	2010 $'000	2009 $'000
Assets held for sale		
Investment property	–	62,373
Financial assets	–	460,524
Reinsurance assets	–	297,071
Deferred acquisition costs	–	77,155
Cash and cash equivalents	–	366,605
Other assets	–	55,511
	–	1,319,239
Liabilities held for sale		
Short term insurance contracts	–	1,322,055
Other liabilities	–	125,544
	–	1,447,599

19. Share Capital

Authorized
An unlimited number of ordinary shares of no par value
An unlimited number of preferred shares of no par value

	2010	2009
Issued and fully paid	**$'000**	**$'000**
231,899,986 ordinary shares of no par value (2009: 201,809,239 ordinary shares)	2,003,470	1,530,398

The holders of ordinary shares are entitled to one vote on a show of hands and one vote for each such share held by him on a ballot or poll at all meetings of shareholders of the company, to receive any dividends declared and payable by the company on the ordinary shares and to receive the remaining property of the company upon dissolution, liquidation or winding up in proportion of ordinary shares then held by each of them. This is subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the company.

	Number of Shares (thousands)	Share Capital $'000	Share Option Plan $'000	Total $'000
Balance at 1 January 2010	201,810	1,480,355	50,043	1,530,398
Issue of shares	29,747	471,998	–	471,998
Executive share option plan:				
- value of services provided	–	–	1,950	1,950
- lapses	–	–	(876)	(876)
Balance at 31 DECEMBER 2010	231,557	1,952,353	51,117	2,003,470
Balance at 1 January 2009 - restated	201,895	1,480,906	43,100	1,524,006
Repurchase of shares	(85)	(551)	–	(551)
Executive share option plan:				
- value of services provided	–	–	9,195	9,195
- lapses	–	–	(2,252)	(2,252)
Balance at 31 DECEMBER 2009	201,810	1,480,355	50,043	1,530,398

19. Share Capital (continued)

Executive Share Option Plan

The Group operates a Stock Option Plan for its Executives. A total of 17,031,252 shares have been allocated to this plan since inception inclusive of bonus issues and stock dividends. Increases were approved at the Annual Meeting in 1999 and in 2004.

The current status of options inclusive of bonus issues and stock dividends to date is as follows (in thousands):

	2010	2009
Total shares allocated to the plan	17,031	17,031
Issued pursuant to exercise of options	(9,586)	(9,586)
Outstanding options	(6,386)	(6,504)
Remaining shares allocated to plan in respect of which options have not been granted	1,059	941

The movement in the number of share options outstanding for the year is as follows:

	2010 Average Exercise Price	2010 Options (thousands)	2009 Average Exercise Price	2009 Options (thousands)
At beginning of year	$ 27.10	6,504	$ 26.97	6,801
Lapsed	$ 26.48	(118)	$ 24.38	(297)
At end of year	$ 26.91	6,386	$ 27.10	6,504

The exercise price of the granted options is equal to the average market price of the shares on the three dealing days preceding the date of the grant. The vesting period is 2 years. Options are exercisable starting two years from the grant date up to the twelfth anniversary of the date of grant. The Group has no legal or constructive obligation to repurchase or settle the options in cash. There were no options granted during the year.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry Date	Exercise Price	Number of Shares (thousands) 2010	2009
14 Sep 2015	$21.40	243	243
31 Mar 2016	$33.17	763	780
3 Apr 2017	$43.33	695	709
28 May 2018	$27.73	1,421	1,430
2 Apr 2019	$19.99	1,538	1,578
31 Mar 2020	$24.51	1,726	1,764
		6,386	6,504

20. Reserves

	Property Revaluation Reserve $'000	Statutory Reserves $'000	Translation Reserves $'000	Total $'000
Balance at 1 January 2010	91,883	6,289	(423,361)	(325,189)
Other comprehensive income	1,312	367	73,093	74,772
Transfer from retained earnings	–	1,999	(1,169)	830
Balance at 31 DECEMBER 2010	93,195	8,655	(351,437)	(249,587)
Balance at 1 January 2009 - restated	81,059	5,174	(694,403)	(608,170)
Other comprehensive loss	10,824	–	271,042	281,866
Transfer from retained earnings	–	1,115	–	1,115
Balance at 31 DECEMBER 2009	91,883	6,289	(423,361)	(325,189)

The property revaluation reserve is used to record increases or decreases in the carrying amount of an item of property that has been revalued. If an asset's carrying amount is increased as a result of a revaluation, the increase is recognized in equity under the heading of revaluation surplus. However, the increase is recognized in the consolidated income statement to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of comprehensive income. If the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized in the consolidated income statement.

The translation reserve is used to record exchange differences arising from group companies whose functional currency is different to the functional currency used in the consolidated financial statements. Differences in retranslating opening net assets for investment in group companies using the exchange rate at year end compared to the exchange rate at the beginning of the year are recognized in other comprehensive income and taken to the translation reserve. The difference between a group company's profit or loss for the year translated at the year end exchange rate and the profit or loss for the year converted at the average rate for the year is recognized in other comprehensive income and taken to the translation reserve.

21. Non-Controlling Interests In Subsidiaries

During the year, the Group exercised its rights under shareholders agreements to convert its debt to equity. The Group also purchased the interest of one minority shareholder. These transactions resulted in the Group effectively owning 90.53% of Laevulose Inc. Limited (2009: 49.11%). In accounting for this decrease in non controlling interest, $1,733,000 was transferred from non controlling interest to retained earnings. At the end of the year, this non controlling interest balance represents a 9.47% shareholding in Laevulose Inc Limited and 46% shareholding in Trans-Nemwil Insurance (Grenada) Limited.

22. Insurance Contracts

	2010 $'000	2009 $'000	2008 $'000
Long term insurance contracts:			
With fixed and guaranteed terms and without DPF (Note 22.1(a))	5,430,034	4,965,881	4,673,066
With fixed and guaranteed terms and with DPF (Note 22.1 (b))	69,488	67,048	84,797
Without fixed terms (Note 22.1(c))	2,850,935	2,495,265	2,264,855
	8,350,457	7,528,194	7,022,718
Participating policyholders' share of the surplus from long-term insurance business (Note 22.1(d))	459,277	445,959	440,789
	8,809,734	7,974,153	7,463,507
Short term insurance contracts:			
Claims reported and loss adjustment expenses (Note 22.1(e))	2,148,850	1,040,111	2,705,186
Claims incurred but not reported (Note 22.1(e))	191,900	176,554	248,744
Unearned premiums (Note 22.1(f))	1,303,279	1,495,130	1,866,762
	3,644,029	2,711,795	4,820,692
Total gross insurance liabilities	12,453,763	10,685,948	12,284,199
Current	2,503,625	1,989,225	4,158,925
Non-current	9,950,138	8,696,723	8,125,274
	12,453,763	10,685,948	12,284,199

22.1 Movements in insurance liabilities and reinsurance assets

(a) Long term insurance contracts with fixed and guaranteed terms and without DPF

	2010 $'000	2009 $'000	2008 $'000
At beginning of year	4,965,881	4,673,066	4,413,653
Valuation premiums received	283,984	230,252	207,147
Liabilities released for payments on death, surrender and other terminations in the year	(238,901)	(203,441)	(184,442)
Accretion of interest	181,251	172,906	159,920
Cash paid for claims settled in the year	(194,140)	(159,206)	(135,645)
Increase in liabilities	182,119	178,233	147,976
Other movements	171,262	132,772	184,053
Net exchange differences	78,578	(58,701)	(119,596)
At end of year	5,430,034	4,965,881	4,673,066

22. Insurance Contracts (continued)

22.1 Movements in insurance liabilities and reinsurance assets (continued)

(b) Long term insurance contracts with fixed and guaranteed terms and with DPF	**2010 $'000**	**2009 $'000**	**2008 $'000**
At beginning of year	67,048	84,797	80,170
Net exchange differences	3,693	2,352	(7,286)
Change in lapse rates	–	–	(263)
Change in interest rates	1,611	(369)	(1,454)
Change in expenses	(2,840)	(433)	(388)
Normal (decrease) / increase due to the passage of time	(24)	(19,299)	14,018
At end of year	69,488	67,048	84,797

(c) Long term insurance contracts without fixed terms			
At beginning of year	2,495,265	2,264,855	2,071,903
Premiums received	547,593	477,285	452,402
Fees deducted from account balances	(176,766)	(164,755)	(149,014)
Liabilities released for payments on death, surrender and other terminations in the year	(215,710)	(234,931)	(217,370)
Changes in unit prices	188,458	147,478	43,782
Cash paid for claims settled in the year	(249,435)	(274,788)	(242,196)
Increase in liabilities	269,072	273,181	248,470
Other movements	(7,424)	6,588	57,349
Net exchange differences	(118)	352	(471)
At end of year	2,850,935	2,495,265	2,264,855

(d) Participating policyholders' share of the surplus from long-term insurance business			
At beginning of year	445,959	440,789	446,976
Surplus / (deficit) arising from operations	14,359	6,398	(8,634)
Translation reserve	(1,041)	(1,228)	2,447
At end of year	459,277	445,959	440,789

22. Insurance Contracts (continued)

22.1 Movements in insurance liabilities and reinsurance assets (continued)

Short term insurance contracts:
(e) Claims and loss adjustment expenses/claims incurred but not reported

	2010			2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Year ended 31 December	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Notified claims	1,040,111	(152,858)	887,253	2,705,186	(676,845)	2,028,341
Incurred but not reported	176,554	(10,385)	166,169	248,742	(95,800)	152,942
Total at beginning of year	1,216,665	(163,243)	1,053,422	2,953,928	(772,645)	2,181,283
Transfer from liabilities held for sale	985,539	(273,881)	711,658	–	–	–
Cash paid for claims settled in the year	(1,620,278)	105,026	(1,515,252)	(2,348,165)	785,424	(1,562,741)
Increase in liabilities	1,796,262	(167,379)	1,628,883	2,473,780	(718,892)	1,754,888
Net exchange differences	(37,438)	14,548	(22,890)	218,709	(122,091)	96,618
Disposal of subsidiary	–	–	–	(2,081,586)	664,961	(1,416,625)
Total at end of year	2,340,750	(484,929)	1,855,821	1,216,666	(163,243)	1,053,423
Notified claims	2,148,850	(472,217)	1,676,633	1,040,111	(152,858)	887,253
Incurred but not reported	191,900	(12,712)	179,188	176,554	(10,385)	166,169
	2,340,750	(484,929)	1,855,821	1,216,665	(163,243)	1,053,422

(f) Provisions for unearned premiums

Total at beginning of year	1,495,130	(202,005)	1,293,125	1,866,762	(219,805)	1,646,957
Transfer from liabilities held for sale	336,516	(23,190)	313,326	–	–	–
Increase in the period	1,343,364	(226,212)	1,117,152	2,158,989	120,793	2,279,782
Release in the period	(1,836,617)	226,686	(1,609,931)	(1,921,602)	(153,963)	(2,075,565)
Net exchange differences	(35,114)	(760)	(35,874)	79,151	24,857	104,008
Disposal of subsidiary	–	–	–	(688,170)	26,113	(662,057)
Total at end of year	1,303,279	(225,481)	1,077,798	1,495,130	(202,005)	1,293,125

22. Insurance Contracts (continued)

22.2 Development claim tables - short term insurance contracts

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. An accident year basis is considered to be the most appropriate for the business written by the Group. However, due to the unavailability of the Lloyd's syndicates' claims by accident year, these claims are reported separately by underwriting year of account. This presentation is different from the basis used for the claims development tables for the other insurance claims of the Group, where the reference is to the actual date of the event that caused the claim (accident year basis).

The top half of each table below illustrates how the Group's estimate of total claims outstanding for each accident year / underwriting year has changed at successive year ends. The bottom half of the table reconciles the cumulative claims to the amount appearing on the consolidated statement of financial position as per summary below.

	Total $'000
Insurance claims - gross	
- By accident year	787,372
- By underwriting year	1,553,378
Total liability (Note 22.1 (e))	2,340,750
Insurance claims - net	
- By accident year	625,487
- By underwriting year	1,230,334
Total liability (Note 22.1 (e))	1,855,821

Insurance claims - gross

Accident year	**2006 $'000**	**2007 $'000**	**2008 $'000**	**2009 $'000**	**2010 $'000**	**Total $'000**
Estimate of ultimate claims costs:						
- at end of accident year	564,660	705,732	758,143	743,753	960,978	3,733,266
- one year later	558,190	697,333	701,092	710,416	–	–
- two years later	558,334	708,004	717,227	–	–	–
- three years later	564,195	691,514	–	–	–	–
- four years later	551,712	–	–	–	–	–
Current estimate of cumulative claims	551,712	691,514	717,227	710,416	960,978	3,631,847
Cumulative payments to date	(522,730)	(619,613)	(664,503)	(627,796)	(528,759)	(2,963,401)
Liability recognized in the consolidated statement of financial position	28,982	71,901	52,724	82,620	432,219	668,446
Liability in respect of prior years						118,926
Total liability						787,372

22. Insurance Contracts (continued)

22.2 Development claim tables - short term insurance contracts (continued)

Insurance claims - gross

Underwriting year	**2006**	**2007**	**2008**	**2009**	**2010**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Estimate of ultimate claims costs:						
- at end of underwriting year	730,521	551,225	538,317	571,741	203,328	2,595,132
- one year later	928,121	1,161,558	1,002,101	1,200,527	–	–
- two years later	990,056	1,179,862	1,028,869	–	–	–
- three years later	1,062,886	1,190,330	–	–	–	–
- four years later	1,102,890	–	–	–	–	–
Current estimate of cumulative claims	1,102,890	1,190,330	1,028,869	1,200,527	203,328	4,725,944
Cumulative payments to date	(928,825)	(954,423)	(769,669)	(576,073)	(40,854)	(3,269,844)
Liability recognized in the consolidated statement of financial position	174,065	235,907	259,200	624,454	162,474	1,456,100
Liability in respect of prior years						97,278
Total liability						1,553,378

Insurance claims - net

Accident year	**2006**	**2007**	**2008**	**2009**	**2010**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Estimate of ultimate claims costs:						
- at end of accident year	457,348	529,430	619,058	668,321	817,163	3,091,320
- one year later	459,198	550,021	581,442	650,266	–	–
- two years later	460,775	560,177	604,866	–	–	–
- three years later	468,049	550,265	–	–	–	–
- four years later	339,713	–	–	–	–	–
Current estimate of cumulative claims	459,544	550,265	604,866	650,266	817,158	3,082,099
Cumulative payments to date	(431,813)	(497,003)	(556,659)	(574,179)	(478,544)	(2,538,198)
Liability recognized in the consolidated statement of financial position	27,731	53,262	48,207	76,087	338,614	543,901
Liability in respect of prior years						81,586
Total liability						625,487

22. Insurance Contracts (continued)

22.2 Development claim tables - short term insurance contracts (continued)

Insurance claims - net **Underwriting year**	**2006** **$'000**	**2007** **$'000**	**2008** **$'000**	**2009** **$'000**	**2010** **$'000**	**Total** **$'000**
Estimate of ultimate claims costs:						
- at end of underwriting year	728,488	523,959	509,345	517,665	194,899	2,474,356
- one year later	893,843	1,052,795	952,963	1,104,080	–	–
- two years later	929,558	1,091,670	996,611	–	–	–
- three years later	954,541	1,112,019	–	–	–	–
- four years later	1,011,376	–	–	–	–	–
Current estimate of cumulative claims	1,011,376	1,112,019	996,611	1,104,080	194,899	4,418,985
Cumulative payments to date	(893,672)	(941,190)	(769,669)	(575,225)	(40,303)	(3,220,059)
Liability recognized in the consolidated statement of financial position	117,704	170,829	226,942	528,855	154,596	1,198,926
Liability in respect of prior years						31,408
Total liability						1,230,334

23. Financial Liabilities

	2010		**2009**		**2008**	
	Carrying Value $'000	**Fair Value $'000**	**Carrying Value $'000**	**Fair Value $'000**	**Carrying Value $'000**	**Fair Value $'000**
Non-current portion of financial liabilities						
Investment contract liabilities (Note 23.1)	1,455,180	1,455,180	1,394,584	1,394,584	1,265,540	1,265,540
Medium-term borrowings (Note 23.2)	908,600	902,700	1,912,226	1,872,355	1,955,201	1,895,066
Derivative financial instrument	24,856	24,856	–	–	–	–
	2,388,636	2,382,736	3,306,810	3,266,939	3,220,741	3,160,606
Current portion of financial liabilities						
Medium-term borrowings	243,080	242,508	60,679	60,679	50,000	50,000
Short-term borrowings	89,841	89,841	210,715	210,715	190,448	190,448
	332,921	332,349	271,394	271,394	240,448	240,448
Repurchase agreements	–	–	1,277,890	1,277,890	1,378,722	1,378,722
Bank overdraft (Note 17)	–	–	436	436	74	74
Interest payable	8,175	8,175	40,580	40,580	33,108	33,108
	341,096	340,524	1,590,300	1,590,300	1,652,352	1,652,352
Total	2,729,732	2,723,260	4,897,110	4,857,239	4,873,093	4,812,958

The derivative financial instrument relates to an interest rate swap that matures on December 15, 2015. The derivative financial instrument is recorded at fair value and the corresponding loss included in net fair value gains/(losses) on financial instruments in the consolidated income statement. The notional amount of this instrument is US$50 Million.

The aggregate fair value of borrowings is determined by applying a discounted cash flow model for the remaining term to maturity using a current yield curve for a similar debt instrument. The discount rate used in the valuation technique is based on the borrowing rate of 7.98% (2009: 9.0%). For short term debt, the carrying amounts approximate their fair value.

The Group has not had any defaults of principal, interest or other breaches with respect to their borrowings during the period (2009 - Nil).

23. Financial Liabilities (continued)

23.1 Investment contract liabilities	**2010**	**2009**	**2008**
	$'000	**$'000**	**$'000**
The movements in the liabilities arising from investment contracts are summarized below:			
At beginning of year	1,394,584	1,265,540	1,209,434
Premiums received	199,279	278,307	152,752
Fees deducted from account balances	(21,918)	(14,131)	(25,030)
Account balances paid on surrender and other terminations in the year	(275,830)	(178,978)	(82,062)
Interest credited through income	81,972	109,480	96,076
Other movements	37,272	3,495	3,558
Net exchange differences	39,821	(69,129)	(89,188)
At end of year	1,455,180	1,394,584	1,265,540

Investment contract liabilities carry floating rates of interest and therefore the carrying amounts approximate their fair values.

23.2 Borrowings	**2010**	**2009**	**2008**
	$'000	**$'000**	**$'000**
Parent company	1,201,680	1,452,107	1,494,989
Subsidiaries	39,841	731,513	700,660
	1,241,521	2,183,620	2,195,649
Current	332,921	271,394	240,448
Non-current	908,600	1,912,226	1,955,201
	1,241,521	2,183,620	2,195,649

Details of total current and non-current bank loans are as follows:

Parent Company

Facility 1 - $550 million

This is a fixed rate 10-year bond ending in December 2014 and is split into two tranches. Interest is charged at 6.625% per annum on tranche 1 of $350 million and is paid semi-annually with the principal to be repaid at maturity. Interest is charged at 6.42% per annum on tranche 2 of $250 million and interest and principal is paid semi-annually in arrears. There was a moratorium on the principal of this tranche for the first three years followed by equal semi-annual payments over the remaining term of the bond. The loan is secured by a debenture creating a charge over the fixed and floating assets of Guardian Holdings Limited.

Facility 2 - $300 million

This is an unsecured fixed rate 8-year bond ending in April 2016. Interest is charged at 9.4% and is payable semi-annually in arrears with principal being repaid at maturity.

As part of the Group's strategy for reducing its aggregate level of gearing and strengthening its financial position, the Group repaid Facility 1 and Facility 2 on January 25, 2011 and issued a single replacement $1 billion bond maturing in 2023. The replacement bond was issued in the first instance for $900 million and includes a call provision that allows the Group to raise a further $100 million within 6 months of the date of issue. Interest on the replacement bond is fixed at 7.98% per annum and interest and principal will be paid semi-annually in arrears over the life of the bond.

Facility 3 - $223.9 million

This is a secured floating rate 5-year loan ending April 2011. Interest is charged at 3-month LIBOR x 2 plus .075% and is payable quarterly in arrears.

Other facilities - $167.6 million

This comprises a basket of unsecured loans for periods of up to three years upon which interest is charged at rates varying between 4% and 5.25% per annum. Principal and interest on these loans are paid at maturity.

23. Financial Liabilities (continued)

23.2 Borrowings (continued)

Parent Company (continued)

IFC debt conversion

On 2 August 2010, the company (GHL) entered into an agreement with the International Financial Cooperation and IFC African, Latin American and Caribbean Fund, L.P. (IFC parties) which gave these entities the option to conduct two transactions:

1. The settlement of GHL's existing debt owed to IFC of US$50 million in exchange for shares in GHL, and
2. A further investment of US$25 million by the IFC parties in GHL's shares.

The agreed share price was $16.00 per share and the number of shares to be issued in total for both transactions was 29,695,313.

GHL and the IFC parties exercised their options and executed these transactions on 2 September 2010 following the extraordinary meeting on 1 September 2010, where GHL's shareholders unanimously approved these transactions.

The IFC parties now own 12.8% of GHL and accounting for these transactions resulted in the following:

- A fair value gain of $59.39 million was recorded in the consolidated income statement by accounting for these options between 2 August and the exercise date of 2 September 2010;
- $59.39 million was transferred from retained earnings to the share capital account to comply with Section 35 (2) of the Trinidad and Tobago Companies Act 1995 and ensure that the full consideration received for shares issued is added to share capital, and
- Costs directly incurred in relation to this transaction amounting to $3.13 million has been recognized directly in equity as required by IAS 32 Financial Instruments: Presentation.

In addition, at the request of the IFC and the IFC parties, certain Key Shareholders agreed that they will not vote on or carry out certain specific actions without consulting and or seeking the approval of the IFC parties. Under this agreement the IFC parties also requested the Key Shareholders to provide an indemnity up to US$75 million against any losses that may arise if the Key Shareholders failed to perform their obligations under this agreement. GHL, taking cognizance of the restrictive obligations undertaken by the Key Shareholders in order to facilitate this investment and having considered the significant benefits of this transaction to the Group and to all shareholders of the company, and having also considered the remote and unlikely circumstances that would trigger such an event have provided a counter indemnity to the Key Shareholders.

24. Third party interest in Mutual Funds

	2010 $'000	2009 $'000	2008 $'000
Balance at beginning of year	866,167	487,356	361,247
Change in liability for interest in consolidated funds (Note 32)	31,733	21,009	1,340
Unrealized gains/(losses)	63,500	63,359	(78,589)
Net Change in Mutual Fund holder balances	129,434	323,334	230,375
Distributions	(25,286)	(28,891)	(27,017)
	1,065,548	866,167	487,356

25. Post Retirement Medical Benefit Obligations

The amounts recognized in the consolidated statement of financial position for the Netherland Antilles and Aruba insurance companies are as follows:

	2010 $'000	2009 $'000	2008 $'000
Present value of obligations	78,916	69,498	48,458
The amount in the consolidated income statement is made up as follows:			
Interest cost	4,011	2,850	2,612
Current service cost	4,067	3,805	3,591
Actuarial losses	2,310	14,993	3,841
Adjustment in value of recognizable assets	–	(1,067)	(1,662)
Expense for the year (Note 35)	10,388	20,581	8,382
The movement in the liability is as follows:			
Balance at beginning of year	69,498	48,458	40,277
Difference on retranslation of opening balance	(970)	459	(201)
Expense as per above	10,388	20,581	8,382
Balance at end of year	78,916	69,498	48,458
The principal actuarial assumptions used were as follows:			
Discount rate	5.5%	5.5%	6.5%
Healthcare cost escalation	6.0%	6.5%	5.0%
Retiree premium escalation:			
Existing retirees	0.0%	0.0%	0.0%
Future retirees	0.0%	0.0%	0.0%
Pre-retirement mortality	GBM/ GBV9095	GBM/ GBV9095	Standard US mortality - GAM 83
Post retirement mortality	Ignored	Ignored	Ignored

The effect of a 1% movement in the assumed medical cost trend rate is as follows:

	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost	9,267	7,183
Effect on the defined benefit obligation	8,901	7,056

Expected contributions to post-employment benefit plans for the year ending 31 December 2010 are $1,866,000.

As at 31 December	2010 $'000	2009 $'000	2008 $'000	2007 $'000	2006 $'000
Present value of defined benefit obligation	78,916	69,498	48,458	40,277	32,007
Experience adjustments on plan liabilities	7,773	4,210	2,111	293	475

26. Other Liabilities

	2010 $'000	2009 $'000	2008 $'000
Deposits and premiums received in advance	67,914	70,116	51,193
Amount due to reinsurers	189,151	116,027	101,775
Sundry payables	501,770	516,567	466,642
	758,835	702,710	619,610

27. Net Premium Income

	2010	2009
	$'000	$'000
(a) Insurance premium income		
Long-term insurance contracts with fixed and guaranteed terms	1,626,972	1,397,906
Short-term insurance contracts:		
- premiums receivable	2,696,880	2,805,535
- change in unearned premium provision	493,252	(220,034)
	4,817,104	3,983,407
(b) Insurance premium ceded to reinsurers		
Long-term reinsurance contracts	(61,035)	(53,833)
Short-term reinsurance contracts:		
- premiums payable	(685,025)	(670,373)
- change in unearned premium provision	(475)	50,826
	(746,535)	(673,380)

28. Policy acquisition expenses

Commissions	912,882	786,901
Other expenses for the acquisition of insurance and investment contracts	30,741	26,135
	943,623	813,036

29. Net Insurance Benefits And Claims

Insurance benefits - gross	1,481,824	1,302,591
Insurance benefits - recovered from reinsurers	(21,417)	(18,182)
Insurance claims and loss adjustment expenses - gross	1,796,262	1,172,144
Insurance claims and loss adjustment expenses - recovered from reinsurers	(167,379)	(64,322)
	3,089,290	2,392,231

		2010	
	Gross	Reinsurance	Net
Insurance benefits	$'000	$'000	$'000
Long-term insurance contracts with fixed and guaranteed terms and without DPF:			
- death, maturity and surrender benefits	423,604	(13,674)	409,930
- increase in liabilities	428,020	3,066	431,086
Long-term insurance contracts without fixed terms:			
- death, maturity and surrender benefits	254,188	(10,727)	243,461
- change in unit prices	345,909	–	345,909
Long-term insurance contracts with fixed and guaranteed terms and with DPF:			
- death, maturity and surrender benefits	21,934	–	21,934
- increase in liabilities	(3,737)	–	(3,737)
Short term insurance contracts - life	11,906	(82)	11,824
Total cost of policyholder benefits	1,481,824	(21,417)	1,460,407

		2009	
	Gross	Reinsurance	Net
Insurance benefits	$'000	$'000	$'000
Long-term insurance contracts with fixed and guaranteed terms and without DPF:			
- death, maturity and surrender benefits	367,309	(7,789)	359,520
- increase in liabilities	351,429	77	351,506
Long-term insurance contracts without fixed terms:			
- death, maturity and surrender benefits	275,981	(8,580)	267,401
- change in unit prices	279,845	–	279,845
Long-term insurance contracts with fixed and guaranteed terms and with DPF:			
- death, maturity and surrender benefits	20,853	–	20,853
- increase in liabilities	(7,156)	–	(7,156)
Short term insurance contracts - life	14,330	(1,890)	12,440
Total cost of policyholder benefits	1,302,591	(18,182)	1,284,409

30. Investment Income

	2010 $'000	2009 $'000
Fair value through profit or loss assets - interest income	344,098	409,647
Fair value through profit or loss assets - dividend income	25,918	33,101
Held-to-maturity assets - interest income	392,450	318,807
Loans and receivables - interest income	75,610	75,606
Cash and cash equivalents - interest income	50,137	108,970
	888,213	946,131

31. Net Realized Gains on Financial Instruments

Equity securities	23,110	(10,643)
Debt securities	5,092	20,076
Loss on disposal of subsidiary (Note (a) below)	(65,750)	–
Gain on settlement of loan (Note (b) below)	222,450	–
Gain on IFC transaction (Note 23.2)	59,390	–
Impairment of financial assets	–	(1,477)
	244,292	7,956

(a) Effective 17th August 2010, the Group disposed of its 100% shareholding in Guardian Asset Management (Jamaica) Limited, resulting in a loss on disposal of $65,750,000 as follow:

Sales proceeds	103,397	–
Less: disposal expenses	(9,711)	–
Net proceeds	93,686	–
Less:		
Goodwill	(2,894)	
Net assets disposed of and realized foreign exchange losses	(156,542)	–
Loss on disposal	(65,750)	–

(b) During the 2010 financial year, the Group negotiated settlement of a loan arrangement which resulted in a gain of $222,450,000.

32. Net Fair Value Gains on Financial Instruments

	2010 $'000	2009 $'000
Net fair value gains on financial assets at fair value through profit or loss	161,908	95,576
Provision for impairment (Note 10)	(25,610)	–
Change in liability for mutual funds (Note 24)	(31,733)	(21,009)
Fair value losses on investment properties (Note 6)	(8,945)	(6,764)
	95,620	67,803

33. Fee Income

Policy administration and asset management services:		
- Insurance contracts	2,513	3,097
- Investment contracts without a discretionary participation feature	22,180	17,994
Surrender charges – insurance contracts	6,074	4,043
Other	4,881	5,288
	35,648	30,422

34. Other (Loss)/Income

Rental income	27,514	30,505
Foreign exchange (losses)/gains	(43,896)	47,424
Net loss for the year on pension plan assets (Note 11)	(14,578)	(9,519)
Other income	25,696	30,833
	(5,264)	99,243

35. Operating expenses

	2010 $'000	2009 $'000
Staff cost	376,280	358,708
Depreciation and amortization	51,282	53,499
Auditors' remuneration	8,756	6,606
Directors' fees	5,283	5,527
Other expenses	329,269	295,132
	770,870	719,472

Staff cost includes:		
Wages, salaries and bonuses	282,283	258,629
Health and medical	11,568	10,899
Staff Training	3,719	3,953
National Insurance	20,193	19,953
Share option scheme – value of services provided	2,878	11,187
Pension costs	6,490	2,980
Post retirement medical benefit obligations (Note 25)	10,388	20,581
Termination benefits	3,917	8,127
Other	34,844	22,399
	376,280	358,708
Average number of employees	2,403	2,415

36. Finance Charges

Financial institutions borrowings	82,854	108,299

37. Taxation

Current tax	95,404	109,095
Business levy/green fund levy	1,735	1,765
Prior year taxation adjustment	(649)	(5,591)
Deferred tax (Note 13)	40,308	1,623
	136,798	106,892

37. Taxation (continued)

The tax on the profit before taxation differs from the theoretical amount that would arise using the basic tax rate of the parent as follows:

	2010 $'000	2009 $'000
Profit before taxation	573,914	480,974
Prima facie tax calculated at domestic corporation tax rate of 25%	143,479	120,244
Effect of different tax rate of life insurance companies	(26,357)	(20,936)
Effect of different tax rate in other countries	34,217	28,511
Income not subject to tax	(210,252)	(225,019)
Expenses not deductible for tax purposes	184,995	202,524
Net adjustment to recognized and unrecognized tax losses	11	168
Tax reliefs and deductions	(6,404)	(1,931)
Business levy/green fund levy	1,735	1,761
Prior year taxation adjustment	(8,045)	(3,908)
Tax on dividend	10,036	2,395
Other	13,383	3,083
Tax charge for the period	136,798	106,892

There are tax losses relating to overseas subsidiaries that are available for set off against future chargeable profits of $18,424,000 (2009 - $18,714,000).

These tax losses expire over varying periods of up to nine years. For these balances, no deferred tax asset has been recognized for tax losses carried forward due to the uncertain timing of their recovery. Some of these losses have not yet been agreed with the respective tax regulators.

38. Net Gain / (Loss) On Discontinued Operations

The Group disposed of its investment in Zenith Insurance Plc and the associated insurance administration businesses comprising GHL Insurance Services Limited and Link Underwriting Agencies Limited on 31 December 2009. This sale substantially accounted for the loss on discontinued operations in 2009. The gain noted in 2010 is the net result after final settlement on this transaction.

Details are disclosed below.

	2010 $'000	2009 $'000
Sales proceeds	–	–
Retained earnings and reserves at 31 December 2008	–	(145,951)
Additional capital injection	–	(108,890)
	–	(254,841)
Net loss for the year:		
Revenue	–	837,826
Expenses	–	(995,681)
Tax	–	(1,475)
Loss for the year ended 31 December 2009	–	(159,330)
Impairment of goodwill	–	(391,890)
Cumulative foreign exchange losses	–	(110,783)
Provision for VAT liability and other disposal costs	–	(29,699)
Total loss on disposal	–	(946,543)
Other discontinued operations:		
Discontinued UK business	2,586	(221,500)
Other discontinued subsidiaries	–	(23,822)
	2,586	(245,322)
Total loss on discontinued operations	2,586	(1,191,865)

39. Earnings Per Share

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding at the consolidated statement of financial position date.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding during the year is adjusted for the weighted number of share options granted to the Executives.

	2010 $'000	2009 $'000
Net profit/(loss) attributable to ordinary shareholders	405,505	(826,924)
Net profit attributable to ordinary shareholders from continuing operations	402,919	364,941
Net (loss) attributable to ordinary shareholders from discontinued operations	2,586	(1,191,865)

	Number of shares ('000)	Number of shares ('000)
Weighted average number of ordinary shares in issue (thousands)	209,332	201,828
Effect of dilution:		
Share options	6,504	6,722
Weighted average number of ordinary shares adjusted for the effect of dilution	215,836	208,550
Basic earnings/(loss) per ordinary share	1.94	(4.10)
Diluted earnings/(loss) per ordinary share	1.88	(3.97)
Basic earnings per ordinary share from continuing operations	1.92	1.81
Diluted earnings per ordinary share from continuing operations	1.87	1.75
Basic (loss) per ordinary share from discontinued operations	0.01	(5.91)
Diluted (loss) per ordinary share from discontinued operations	0.01	(5.72)

40. Dividends

	2010 $'000	2009 $'000
Final dividend for 2009 - 33¢ per share (2008 - 37¢ per share)	66,728	74,848
Interim dividend for 2010 - 17¢ per share (2009 - 11¢ per share)	39,170	22,000
	105,898	96,848

On 23 March 2011, the Board of Directors declared a final dividend of 33 cents per share (2009 - 33 cents). These financial statements do not reflect the final dividend which will be accounted for as an appropriation of retained earnings in the year ending 31 December 2011.

41. Adjustment For Non-cash Items In Operating Profit

	2010	2009
	$'000	$'000
Share of profit from associated companies	(23,026)	(15,573)
Increase in the value to shareholders of inforce long-term business	(75,808)	(35,121)
Net fair value gains on financial and other assets	(173,603)	(95,576)
Change in liability for interest in consolidated funds (Note 24)	31,733	21,009
Net loss on discontinued operations	(2,586)	1,191,865
Net realized gains on financial and other assets	(218,682)	(9,432)
Impairment of financial assets	11,695	1,477
Net loss for the year on pension plan assets (Note 11)	14,578	9,519
Depreciation and amortization	51,282	53,497
Loss / (Gain) on disposal of property, plant & equipment	5,311	(3,359)
Change in fair vale of investment property	8,945	6,764
Foreign exchange (gains)/losses	24,892	(63,479)
Share option scheme – value of services provided	1,950	9,195
Other non-cash expense	3,518	34,276
	(339,801)	1,105,062

42. Fair Values of Financial Instruments

The classification of financial instruments at fair value can be determined by reference to the source of inputs used to derive the fair value. The classification uses the following three-level hierarchy:

Level 1

Included in the Level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Included in the Level 2 category are financial assets that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions, and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in mutual funds with published net asset values and evidence of trades and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Level 3

Included in the Level 3 category are financial assets that are not quoted as there are no active markets to determine a price. These financial instruments are held at cost, being the fair value of the consideration paid on acquisition of the investment, and are regularly assessed for impairment. The main asset class in this category is unlisted equity instruments.

42. Fair Values of Financial Instruments (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of fair value hierarchy:

31 DECEMBER 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Financial assets at fair value through profit or loss				
Equity securities	1,273,768	3,814	49,468	1,327,050
Debt securities	3,723,918	950,106	251,871	4,925,895
Deposits with financial institutions (more than 90 days)	149,617	10,001	160,690	320,308
Other financial assets	32,145	4,851	13,969	50,965
	5,179,448	968,772	475,998	6,624,218

Reconciliation of movements in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing recorded amount of Level 3 financial assets and liabilities which are recorded at fair value.

	At 1 January 2010 $'000	Exchange rate adjustment $'000	Total gain/(loss) in income statement $'000	Purchases $'000	Sales $'000	Transfers to Level 1 & 2 $'000	At 31 December 2010 $'000	Total gains or losses for the period included in income statement for assets held at 31 Dec 2010 $'000
Financial assets at fair value through profit or loss								
Equity securities	50,240	(3,770)	1,775	1,223	–	–	49,468	1,774
Debt securities	268,783	(15,768)	6,883	112,665	(50,800)	(69,892)	251,871	7,988
Deposits with financial institutions	104,827	(18)	130	119,001	(63,250)	–	160,690	–
Other financial assets	13,946	(18)	41	–	–	–	13,969	41
	437,796	(19,574)	8,829	232,889	(114,050)	(69,892)	475,998	9,803

42. Fair Values of Financial Instruments (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of fair value hierarchy:

31 DECEMBER 2009	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Financial assets at fair value through profit or loss				
Equity securities	1,159,784	-	50,240	1,210,024
Debt securities	2,438,888	2,754,925	268,784	5,462,597
Deposits with financial institutions (more than 90 days)	502,037	-	104,827	606,864
Other financial assets	44,109	10	13,945	58,064
	4,144,818	2,754,935	437,796	7,337,549

Reconciliation of movements in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing recorded amount of Level 3 financial assets and liabilities which are recorded

	At 1 January 2009 $'000	Exchange rate adjustment $'000	Total gain/(loss) in income statement $'000	Purchases $'000	Sales $'000	Transfers to Level 1 & 2 $'000	At 31 December 2009 $'000	Total gains or losses for the period included in income statement for assets held at 31 Dec 2009 $'000
Financial assets at fair value through profit or loss								
Equity securities	87,713	(3,868)	(39,213)	5,812	(204)	–	50,240	(34,498)
Debt securities	290,111	12,856	20,183	60,122	(114,489)	–	268,783	20,183
Deposits with financial insti	119,767	140	(2,428)	2,705	(15,357)	–	104,827	(2,428)
Other financial assets	9,365	139	4,442	–	–	–	13,946	4,442
	506,956	9,267	(17,016)	68,639	(130,050)	–	437,796	(12,301)

Gains or losses (realized and unrealized) for the period are presented in the consolidated income statement as follows:

	Realized gains $'000	2009 Fair value gains and losses $'000	Total $'000
Total gains or losses included in the consolidated income statement for the period	(14,460)	(2,556)	(17,016)
Total gains or losses included in the consolidated income statement for the period for assets held at the end of the year	(9,745)	(2,556)	(12,301)

The Group does not regard that any reasonable change in the valuation assumptions of Level 3 financial instruments will have any significant impact on the financial statements.

43. Segment Information

For management purposes, the Group is organized into business units based on their products and services and has three reportable operating segments:

i) Life, health and pension insurance
ii) Property and casualty insurance
iii) Asset management

Transfer prices between operating segments are set on an arm's length basis in a manner similar with third parties. Segment income, expenses and results will include those transfers between business segments which will then be eliminated on consolidation.

	Life, health and pension business $'000	Property and casualty business $'000	Asset Management $'000	Other companies $'000	Consolidation adjustments $'000	Group $'000
Year ended 31 December 2010						
Insurance activities						
Insurance premium income	2,246,949	2,570,155	–	–	–	4,817,104
Insurance premium ceded to reinsurers	(90,316)	(656,219)	–	–	–	(746,535)
Commission income	–	116,364	–	–	–	116,364
	2,156,633	2,030,300	–	–	–	4,186,933
Change in "Value of inforce life insurance policies"	75,808	–	–	–	–	75,808
Net underwriting revenue	2,232,441	2,030,300	–	–	–	4,262,741
Policy acquisition expenses	(281,027)	(662,596)	–	–	–	(943,623)
Net insurance benefits and claims	(1,885,133)	(1,204,157)	–	–	–	(3,089,290)
Underwriting expenses	(2,166,160)	(1,866,753)	–	–	–	(4,032,913)
Net result from underwriting activities	66,281	163,547	–	–	–	229,828
Investing activities						
Investment income	680,830	129,524	105,124	341,065	(368,330)	888,213
Net realised gains on financial instruments	47,154	(16)	(71,605)	255,541	(24,087)	206,987
Net fair value gains on financial instruments	96,362	(8,480)	68,827	(25,743)	1,959	132,925
Fee income	13,306	2,834	23,318	84,606	(88,416)	35,648
Other (loss)/income	14,851	8,472	(2,208)	(21,268)	(5,111)	(5,264)
Investment contract benefits	(83,725)	–	–	–	–	(83,725)
Net income from investing activities	768,778	132,334	123,456	634,201	(483,985)	1,174,784
Net income from all activities	835,059	295,881	123,456	634,201	(483,985)	1,404,612
Operating expenses	(432,938)	(220,034)	(51,704)	(163,247)	97,053	(770,870)
Finance charges	(1,134)	(16,116)	(4,478)	(105,167)	44,041	(82,854)
Operating profit	400,987	59,731	67,274	365,787	(342,891)	550,888
Share of profit of associated companies	331	14,367	–	8,328	–	23,026
Profit before taxation	401,318	74,098	67,274	374,115	(342,891)	573,914
Taxation	(74,243)	(35,807)	(28,325)	1,577	–	(136,798)
Profit after taxation	327,075	38,291	38,949	375,692	(342,891)	437,116
Amount attributable to participating policyholders	(14,359)	–	–	–	–	(14,359)
Profit from continuing operations	312,716	38,291	38,949	375,692	(342,891)	422,757

43. Segment Information (continued)

The segment results for the year ended 31 December 2009 are as follows:

	Life, health and pension business $'000	Property and casualty business $'000	Asset Management $'000	Other companies $'000	Consolidation adjustments $'000	Group $'000
Year ended 31 December 2009						
Insurance activities						
Insurance premium income	1,973,518	2,009,889	–	–	–	3,983,407
Insurance premium ceded to reinsurers	(90,377)	(583,003)	–	–	–	(673,380)
Commission income	–	111,796	–	–	–	111,796
	1,883,141	1,538,682	–	–	–	3,421,823
Change in "Value of inforce life insurance policies"	35,121	–	–	–	–	35,121
Net underwriting revenue	1,918,262	1,538,682	–	–	–	3,456,944
Policy acquisition expenses	(300,071)	(512,965)	–	–	–	(813,036)
Net insurance benefits and claims	(1,694,017)	(698,214)	–	–	–	(2,392,231)
Underwriting expenses	(1,994,088)	(1,211,179)	–	–	–	(3,205,267)
Net result from underwriting activities	(75,826)	327,503	–	–	–	251,677
Investing activities						
Investment income	753,297	124,645	115,262	428,436	(475,509)	946,131
Net realised gains on financial instruments	563	14,968	(7,841)	266	–	7,956
Net fair value gains on financial instruments	23,965	11,014	28,893	68	3,863	67,803
Fee income	14,476	1,239	23,694	54,692	(63,679)	30,422
Other (loss)/income	56,765	(67,432)	9,184	23,603	77,123	99,243
Investment contract benefits	(110,044)	–	(16)	–	–	(110,060)
Net income from investing activities	739,022	84,434	169,176	507,065	(458,202)	1,041,495
Net income from all activities	663,196	411,937	169,176	507,065	(458,202)	1,293,172
Operating expenses	(407,114)	(206,217)	(46,189)	(168,754)	108,802	(719,472)
Finance charges	(414)	(22,737)	(6,322)	(126,264)	47,438	(108,299)
Operating profit	255,668	182,983	116,665	212,047	(301,962)	465,401
Share of profit of associated companies	(13,595)	19,722	–	9,446	–	15,573
Profit before taxation	242,073	202,705	116,665	221,493	(301,962)	480,974
Taxation	(32,617)	(50,901)	(14,535)	(8,839)	–	(106,892)
Profit after taxation	209,456	151,804	102,130	212,654	(301,962)	374,082
Amount attributable to participating policyholders	(6,398)	–	–	–	–	(6,398)
Profit from continuing operations	203,058	151,804	102,130	212,654	(301,962)	367,684

43. Segment Information (continued)

The segment assets and liabilities and capital expenditure are as follows:

	Life, health and pension business	Property and casualty business	Asset Management	Other	Consolidation adjustments	Group
	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 31 December 2010						
Assets						
Intangible assets	138,097	–	–	–	115,387	253,484
Investment in associated companies	154,642	113,675	–	475	8,055	276,847
Financial assets	8,952,218	2,227,859	106,303	61,404	(164,446)	11,183,338
Financial assets of Mutual Fund unit holders	73,128	–	1,296,213	–	(124,434)	1,244,907
Loans and receivables including insurance receivables	1,274,364	784,048	29,292	385,217	(19,412)	2,453,509
Reinsurance assets	72,080	689,534	–	–	–	761,614
Segregated fund assets of life insurance policyholders	459,937	–	–	–	–	459,937
Value of inforce life insurance policies	673,474	–	–	–	–	673,474
Deferred acquisition costs	931	368,692	–	–	–	369,623
Cash and cash equivalents of Mutual Fund unit holders	188,994	63,354	150,718	–	(252,549)	150,517
Other assets	1,515,738	611,911	32,798	999,856	242	3,160,545
Total assets	13,503,603	4,859,073	1,615,324	1,446,952	(437,157)	20,987,795
Liabilities						
Insurance liabilities	9,099,336	3,366,778	–	–	(12,351)	12,453,763
Segregated fund liabilities of life insurance policyholders	459,937	–	–	–	–	459,937
Other liabilities	2,042,098	594,882	1,491,791	2,750,312	(1,935,312)	4,943,771
Total liabilities	11,601,371	3,961,660	1,491,791	2,750,312	(1,947,663)	17,857,471

43. Segment Information (continued)

	Life, health and pension business $'000	Property and casualty business $'000	Asset Management $'000	Other $'000	Consolidation adjustments $'000	Group $'000
Year ended 31 December 2009						
Intangible assets	138,000	–	13,905	–	118,327	270,232
Investment in associated companies	31,872	114,395	–	471	127,336	274,074
Financial assets	7,470,012	1,621,038	1,585,053	123,147	(164,435)	10,634,815
Financial assets of Mutual Fund unit holders	69,708	–	1,077,451	–	(106,627)	1,040,532
Loans and receivables including insurance receivables	1,177,057	808,364	58,629	262,128	(17,658)	2,288,520
Reinsurance assets	60,950	355,386	–	–	–	416,336
Segregated fund assets of life insurance policyholders	400,944	–	–	–	–	400,944
Value of inforce life insurance policies	583,705	–	–	–	–	583,705
Deferred acquisition costs	794	465,747	–	–	–	466,541
Cash and cash equivalents of Mutual Fund unit holders	195,544	71,581	130,308	–	(268,160)	129,273
Other assets	2,162,135	1,833,494	122,118	1,087,268	7	5,205,022
Total assets	12,290,721	5,270,005	2,987,464	1,473,014	(311,210)	21,709,994
Liabilities						
Insurance liabilities	8,211,453	2,483,047	–		(8,552)	10,685,948
Segregated fund liabilities of life insurance policyholders	400,944	–	–	–	–	400,944
Other liabilities	1,943,071	1,770,739	2,848,595	3,378,991	(1,660,731)	8,280,665
Total liabilities	10,555,468	4,253,786	2,848,595	3,378,991	(1,669,283)	19,367,557

44. Contingent Liabilities

Legal proceedings

Group companies are defendants in various legal actions. In the opinion of the directors, after taking appropriate legal advice, the outcome of such actions will not give rise to any significant loss.

Purchase of land

As at 31 December 2008, one of the Group's subsidiaries entered into a preliminary agreement to purchase land. The agreement allows the company 40 months to complete the purchase. Should the company decide not to complete the purchase, the impact of the financial loss to the Group will be $2,355,082.

Construction of building

In 2008 the Group entered into an agreement with a third party to construct the foundations for a mixed use development. A penalty of $8,344,800 will apply if, within one year of the completion of the foundations, the Group elects not to proceed with the completion of the superstructure.

45. Commitments

Capital commitments
As at the year end, a development contract and a loan agreement have been entered into in respect of a property project. The commitments not provided for in these financial statements are as follows:

	2010 $'000	2009 $'000
Investment properties	14,074	–

Operating lease commitments – where a Group company is the lessee
The future aggregate minimum lease payments under operating leases are as follows:

Not later than one year	22,637	19,983
Later than one year and no later than five years	85,487	59,920
Over five years	–	34,952
	108,124	114,855

Rental expense under these leases amounted to $20,244,000 for the year ended 31 December 2010 (2009 - $19,320,000).

46. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The ultimate parent of the Group is Guardian Holdings Limited.

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

The following transactions were carried out with related parties:	2010 $'000	2009 $'000
(a) Sales of insurance contracts and other services:		
- Key management personnel	1,074	1,607
(b) Key management personnel compensation:		
- Salaries and other short-term employee benefits	64,902	57,058
- Termination benefits	1,427	4,581
- Post-employment benefits	377	–
- Other long-term benefits	–	–
- Share-based payments	2,783	11,187
(c) Year end balances arising from sales / purchases of products and services:		
- Other related parties	3,356	–
(d) Loans to related parties:		
Loans to key management of the Group:		
Balance at beginning of year	43,760	41,723
Difference on retranslation of opening balance	13	(285)
Loans advanced during the year	4,241	10,424
Loan repayments received	(5,632)	(7,276)
Interest charged	2,147	2,132
Interest received	(2,080)	(2,957)
	42,449	43,761

46. Related Party Transactions (continued)

	2010 $'000	2009 $'000
(d) Loans to related parties (Continued):		
Loans to key associates:		
Balance at beginning of year	1,657	–
Loans advanced during the year	3,518	1,657
	5,175	1,657

47. Subsidiaries And Associated Companies

Principal Subsidiaries	Country of Incorporation	Effective Percentage of interest held
Guardian General Insurance Limited	Republic of Trinidad & Tobago	100.0
Guardian Life of the Caribbean Limited	Republic of Trinidad & Tobago	100.0
Fatum Holding NV	Netherlands Antilles	100.0
Guardian Life Limited	Jamaica	100.0
Guardian Asset Management Limited	Republic of Trinidad & Tobago	100.0
Bancassurance Caribbean Limited	Republic of Trinidad & Tobago	100.0
Laevulose Inc. Limited	Republic of Trinidad & Tobago	95.7
Guardian Re (SAC) Limited (Formerly Colrich (SAC) Limited)	Bermuda	100.0
West Indies Alliance Insurance Limited	Jamaica	100.0
Principal Associated Companies		
Jubilee Group Holdings Limited	United Kingdom	39.1
Royal Star Assurance (Bahamas) Limited	Bahamas	25.0
Ocho Rios Beach Resorts Limited	Jamaica	24.0
RGM Limited	Republic of Trinidad & Tobago	33.3
Servus Limited	Republic of Trinidad & Tobago	50.0

48. Assets Under Management

Assets under management, which are not beneficially owned by the Group, but which are managed by them on behalf of investors are listed below:

	2010 Carrying Amount $'000	2009 Carrying Amount $'000
Amounts not included in the consolidated statement of financial position		
Cash and short-term investments	58,515,227	126,837,780
Investments	594,075,218	507,150,602
Interest and other receivables	62,973,199	57,711,876
	715,563,644	691,700,258

49. Restatements And Reclassifications

Description of restatement / reclassification:

(a) In 2009 it was determined that the Group, by virtue of its significant ownership in the Guardian Asset Management Mutual Funds together with the structure of the Trust Deed and Asset Management Agreement in place, should consolidate these Funds in accordance with the requirements of IAS 27-Consolidated and Separate Financial Statements. This was done, and within the financial statements for the year ended 31 December, 2009, the holdings of third party Mutual Fund holders were classified as part of non controlling interests within equity.

In 2010 these balances have been retrospectively reclassified as financial liabilities as required by IAS 32 - Financial Instruments; Presentation. This change resulted in an increase in financial liabilities of $866,167 (2008:$487,356) and a corresponding decrease in non controlling interests.

Further, the Mutual Funds classify their investment portfolio as Available for Sale, and in 2009, these assets were consolidated within this category. However, as the Group substantially classifies its portfolio as At Fair Value Through Profit and Loss, the Group has opted to treat the Mutual Funds investment in a consistent manner for Group reporting purposes. This Treatment was adopted retrospectively. These changes decreased the Group's after tax profits by $8,407 but ultimately had no impact on the other comprehensive income attributable to the equity holders of the Parent.

(b) In 2008 and prior, the Group incurred costs in the design of a mixed use real estate development project in Martinique. In 2008, a decision was taken to change a specific element of this design and this resulted in $47M of design cost no longer being recoverable. The write off was not accounted for in the consolidated financial statements at the time and this has now been corrected. Accordingly, retained earnings for 2008 have been reduced by $47M and there was a corresponding decrease in investment properties.

(c) During 2010, certain processing error were noted with respect to life and health premiums that ultimately resulted in these balances being overstated. These errors arose in previous periods and the adjustments to reverse these billings and the related commission accruals have been dealt with retrospectively. Retained earnings for 2008 was reduced by $16,428 and in 2009 the Group's loss for the year increased by $11,561 as a result of these adjustments. Comprehensive income also reduced by $13,559 in 2009 as a result of these adjustments.

(d) In prior years, employees used a portion of their bonus distribution to acquire shares in GHL. To facilitate these purchases by employees, the Group repurchased it's own shares on the open market through a Trust arrangement and held these shares on behalf of the employees. A portion of these shares purchased on the open market have not been allocated, and these shares have been deducted from equity at cost in accordance with the requirements of IAS 27, Consolidated and Separate Financial Statements. In 2008, 2009 and 2010, loans and receivables have reduced by $15,264,000 and stated capital has also been reduced by a corresponding amount.

(e) **Other**
Where necessary, comparative data have been adjusted to conform with changes in presentation in the current year.

50. Pledged Assets

The Group had deposited certain assets with the regulatory authorities in the countries in which it is authorized to conduct business as security for its policyholders. The type and values of these assets are in accordance with the legal requirements of the countries concerned. The carrying value of pledged assets is:

	2010 $'000	2009 $'000
Statutory deposits / funds	5,730,075	5,391,174

FINANCIALS EXPRESSED IN US DOLLARS
31 DECEMBER 2010

The Group's Consolidated Statement of Financial Position and Consolidated Income Statement expressed in US dollars appears below. The purpose of this publications to provide readers of the Group's Annual Report, a number of whom are from jurisdictions outside of Trinidad and Tobago, with a quick and convenient overview of the Group's financial performance, referenced against a major international currency. The exchange rate used for this purpose is TT$6.3974 to US$1.00.

Consolidated Statement of Financial Position

	2010 US$'000	2009 US$'000 (Restated)
Assets		
Property, plant and equipment	79,680	79,508
Investment properties	141,543	142,436
Intangible assets	39,623	42,241
Investment in associated companies	43,275	42,841
Financial assets	1,748,107	1,662,365
Financial assets of Mutual Fund unit holders	194,596	162,649
Loans and receivables including insurance receivables	383,517	357,727
Pension plan assets	13,557	15,919
Value of inforce life insurance business	105,273	91,241
Deferred tax assets	4,001	7,406
Reinsurance assets	119,051	65,079
Segregated fund assets of life insurance policyholders	71,894	62,673
Deferred acquisition costs	57,777	72,927
Taxation recoverable	24,626	24,939
Cash and cash equivalents	230,628	337,193
Cash and cash equivalents of Mutual Fund unit holders	23,528	20,207
Assets held for sale	–	206,215
Total assets	3,280,676	3,393,566
Equity And Liabilities		
Share capital	313,169	239,222
Reserves	(39,014)	(50,831)
Retained earnings	200,919	165,503
Equity attributable to owners of the parent	475,074	353,894
Non-controlling interests in subsidiaries	14,237	12,262
Total equity	489,311	366,156
Liabilities		
Insurance contracts	1,946,691	1,670,358
Financial liabilities	426,694	765,484
Third party interest in Mutual Funds	166,560	135,394
Segregated fund liabilities of life insurance policyholders	71,894	62,673
Post retirement medical benefit obligations	12,336	10,863
Deferred tax liabilities	32,581	31,220
Provision for taxation	15,993	15,296
Other liabilities	118,616	109,843
Liabilities related to assets held for sale	–	226,279
Total liabilities	2,791,365	3,027,410
Total equity and liabilities	3,280,676	3,393,566

FINANCIALS EXPRESSED IN US DOLLARS
31 DECEMBER 2010
CONSOLIDATED INCOME STATEMENT

	2010 US$'000	2009 US$'000 (Restated)
Insurance activities		
Insurance premium income	752,978	622,661
Insurance premium ceded to reinsurers	(116,694)	(105,258)
Reinsurance commission income	18,189	17,475
	654,473	534,878
Change in "Value of inforce life insurance policies"	11,850	5,490
Net underwriting revenue	666,323	540,368
Policy acquisition expenses	(147,500)	(127,089)
Net insurance benefits and claims	(482,898)	(373,938)
Underwriting expenses	(630,398)	(501,027)
Net result from insurance activities	35,925	39,341
Investing activities		
Investment income	138,840	147,893
Net realised gains on financial instruments	38,186	1,244
Net fair value gains on financial instruments	14,947	10,599
Fee income	5,572	4,755
Other (loss)/income	(823)	15,513
Investment contract benefits	(13,087)	(17,204)
Net income from investing activities	183,635	162,800
Net income from all activities	219,560	202,141
Operating expenses	(120,497)	(112,463)
Finance charges	(12,951)	(16,929)
Operating profit	86,112	72,749
Share of profit of associated companies	3,599	2,434
Profit before taxation	89,711	75,183
Taxation	(21,383)	(16,709)
Profit after taxation	68,328	58,474
Amount attributable to participating policyholders	(2,245)	(1,000)
Profit from continuing operations	66,083	57,474
Net gain/(loss) on discontinued operations	404	(186,305)
Profit/(loss) for the year	66,487	(128,831)
Profit/(loss) attributable to:		
- Equity holders of the parent	63,386	(129,259)
- Non-controlling interests	3,101	428
	66,487	(128,831)
Earnings/(loss) per share		
- Basic - for profit/(loss) attributable to ordinary equity holders of the parent	$ 0.30	$ (0.64)
- Diluted - for profit/(loss) attributable to ordinary equity holders of the parent	$ 0.29	$ (0.62)
Earnings / (loss) per share for continuing operations		
- Basic - for profit attributable to ordinary equity holders of the parent	$ 0.30	$ 0.28
- Diluted - for profit attributable to ordinary equity holders of the parent	$ 0.29	$ 0.27

FINANCIALS EXPRESSED IN US DOLLARS
31 DECEMBER 2010
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2010 US$'000	2008 US$'000 (Restated)
Profit/(loss) for the year	66,487	(128,831)
Other comprehensive income / (loss)		
Exchange differences on translating foreign operations	10,720	42,686
Gains / (losses) on property revaluation	205	1,692
Actuarial losses on defined benefit pension plans	(2,309)	(7,772)
Other reserve movements	41	(91)
Income tax relating to components of other comprehensive income	(139)	28
Other comprehensive income / (loss) for the period, net of tax	8,518	36,543
Total comprehensive income/(loss) for the period, net of tax	75,005	(92,288)
Total comprehensive income/(loss) attributable to:		
- Equity holders of the parent	72,661	(92,956)
- Non-controlling interests	2,344	668
	75,005	(92,288)