FAMGUARD CORPORATION LIMITED

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
FamGuard Corporation Limited:

We have audited the accompanying consolidated financial statements of FamGuard Corporation Limited (the "Company") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as of December 31, 2011, and the consolidated statements of income, comprehensive income, changes in equity and 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 consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of FamGuard Corporation Limited as of December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

April 26, 2012

Eckler
CONSULTANTS + ACTUARIES

APPOINTED ACTUARY'S REPORT

To the Board of Directors and Shareholders of FamGuard Corporation Limited

I have valued the actuarial liabilities and other policy liabilities of FamGuard Corporation Limited for its consolidated statement of financial position at 31 December 2011 and the change in the consolidated statement of income for the year ended 31 December 2011 in accordance with generally accepted actuarial practice including selection of appropriate assumptions and methods.

In my opinion, the amount of the actuarial and other policy liabilities makes appropriate provision for all policyholder obligations and the consolidated financial statements of FamGuard Corporation Limited fairly represent the results of the valuation.

Richard F. Labelle
Fellow, Canadian Institute of Actuaries
Fellow, Society of Actuaries
April 24, 2012

FAMGUARD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2011
(Expressed in Bahamian dollars)

	2011	2010
ASSETS		
Cash and bank balances	$ 5,634,365	$ 4,488,057
Short-term bank deposits	346,071	344,130
Other bank term deposits	13,935,452	11,379,922
Financial investment assets:		
Available for sale (Note 6)	6,660,917	6,474,103
Held-to-maturity (Note 6)	65,707,822	60,490,124
Loans (Note 6)	73,337,635	74,785,118
Total investment assets	165,622,262	157,961,454
Reinsurance assets and recoveries (Note 9)	13,126,974	9,814,759
Receivables and other assets (Note 7)	4,508,638	2,689,053
Premiums receivable	6,420,955	6,498,329
Property, plant and equipment, net (Note 8)	33,124,807	32,830,991
TOTAL ASSETS	$ 222,803,636	$ 209,794,586

(Continued)

See notes to consolidated financial statements.

FAMGUARD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2011
(Expressed in Bahamian dollars)

	2011	2010
LIABILITIES AND EQUITY		
LIABILITIES:		
Reserves for future policyholders' benefits (Notes 9 and 27)	$ 137,118,184	$ 124,384,786
Other policyholders' funds (Notes 10 and 27)	15,152,093	16,038,222
Policy liabilities	152,270,277	140,423,008
Payables and accruals (Note 11)	6,787,268	8,710,077
Total liabilities	159,057,545	149,133,085
EQUITY:		
Preference shares (Note 14)	10,000,000	10,000,000
Ordinary shares (Note 14)	2,000,000	2,000,000
Share premium (Note 14)	10,801,080	10,801,080
Revaluation reserve (Note 13)	10,580,443	9,651,739
Retained earnings	30,364,568	28,208,682
Total equity	63,746,091	60,661,501
TOTAL LIABILITIES AND EQUITY	$ 222,803,636	$ 209,794,586

(Concluded)

See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on February 17, 2012, and are signed on its behalf by:

Director

Director

FAMGUARD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2011
(Expressed in Bahamian dollars)

	2011	2010
INCOME:		
Gross premium income	$ 95,687,275	$ 91,979,610
Premium ceded to reinsurers (Note 15)	(11,224,650)	(11,966,912)
Net premium income	84,462,625	80,012,698
Annuity deposits	14,680,325	11,358,330
Net premium income and annuity deposits (Note 15)	99,142,950	91,371,028
Interest income	9,843,210	9,872,654
Dividend income	387,784	374,712
Realized loss from the sale of assets	(60,295)	(200,179)
Other operating income	1,238,158	928,532
Total income	110,551,807	102,346,747
BENEFITS AND EXPENSES:		
Benefits:		
Policyholders' benefits (Note 16)	66,443,785	63,227,417
Reinsurance recoveries (Note 16)	(6,800,943)	(8,952,587)
Net policyholders' benefits	59,642,842	54,274,830
Increase in reserves for future policyholders' benefits (Note 9)	12,733,398	11,406,906
Total benefits	72,376,240	65,681,736

(Continued)

See notes to consolidated financial statements.

FAMGUARD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2011
(Expressed in Bahamian dollars)

	2011	2010
Expenses:		
Operating expenses (Notes 17, 18 and 19)	18,358,482	16,959,883
Commissions	12,451,070	12,248,492
Depreciation expense (Note 8)	1,996,773	2,086,364
Bad debt expense	150,856	206,653
Total expenses	32,957,181	31,501,392
Total benefits and expenses	105,333,421	97,183,128
NET INCOME	5,218,386	5,163,619
OTHER COMPREHENSIVE INCOME:		
Net value loss on available-for-sale financial assets (Notes 6 and 13)	(312,986)	(138,974)
Revaluation of fixed assets (Notes 8 and 13)	1,241,690	-
Total other comprehensive income (loss)	928,704	(138,974)
TOTAL COMPREHENSIVE INCOME	$ 6,147,090	$ 5,024,645
NET INCOME ATTRIBUTABLE TO:		
Ordinary shareholders	$ 4,555,886	$ 4,463,619
Preferred shareholders	662,500	700,000
	$ 5,218,386	$ 5,163,619
Earnings per ordinary share (Note 24)	$ 0.46	$ 0.45
COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Ordinary shareholders	$ 5,484,590	$ 4,324,645
Preferred shareholders	662,500	700,000
	$ 6,147,090	$ 5,024,645

(Concluded)

See notes to consolidated financial statements.

FAMGUARD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2011
(Expressed in Bahamian dollars)

	Share Capital					
	Preference Shares (Note 14)	Ordinary Shares (Note 14)	Share Premium (Note 14)	Revaluation Reserve (Note 13)	Retained Earnings	Total
Balance as of December 31, 2009	$10,000,000	$ 2,000,000	$10,801,080	$ 9,790,713	$26,145,063	$58,736,856
Net income for 2010	-	-	-	-	5,163,619	5,163,619
Other comprehensive loss for 2010	-	-	-	(138,974)	-	(138,974)
Dividends declared and paid -						
preference shares	-	-	-	-	(700,000)	(700,000)
ordinary shares ($0.24 per share)	-	-	-	-	(2,400,000)	(2,400,000)
Balance as of December 31, 2010	10,000,000	2,000,000	10,801,080	9,651,739	28,208,682	60,661,501
Net income for 2011	-	-	-	-	5,218,386	5,218,386
Other comprehensive income for 2011	-	-	-	928,704	-	928,704
Dividends declared and paid -						
preference shares	-	-	-	-	(662,500)	(662,500)
ordinary shares ($0.24 per share)	-	-	-	-	(2,400,000)	(2,400,000)
Balance as of December 31, 2011	$10,000,000	$ 2,000,000	$10,801,080	$10,580,443	$30,364,568	$63,746,091

See notes to consolidated financial statements.

FAMGUARD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011
(Expressed in Bahamian dollars)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 5,218,386	$ 5,163,619
Adjustments for:		
Depreciation expense (Note 8)	1,996,773	2,086,364
Gain on disposal of fixed assets (Note 8)	-	(31,091)
Change in reinsurance assets	(3,312,215)	(2,872,847)
Change in mortgage provision (Note 6)	236,556	147,427
Change in reserves for future policyholders' benefits	12,733,398	11,538,848
Interest income	(9,843,210)	(9,872,654)
Dividend income	(387,784)	(374,712)
Increase in receivables and other assets	(1,860,360)	(229,098)
Decrease (increase) in premiums receivable	77,374	(2,055,963)
(Decrease) increase in payables and accruals	(1,922,809)	2,153,220
(Decrease) increase in other policyholders' funds	(886,129)	579,384
Net cash from operating activities	2,049,980	6,232,497
CASH FLOWS FROM INVESTING ACTIVITIES:		
Placement of bank term deposits greater than three months	(2,555,530)	(8,301,599)
Purchase of corporate bonds	-	(1,000,000)
Proceeds from redemption of preferred shares	200,000	200,000
Purchase of Government bonds	(5,365,579)	(1,079,400)
Purchase of equities (Note 6)	(499,800)	-
Net other loans repaid	445,588	418,954
Net policy loans issued	(89,364)	(939,595)
Net mortgage loans repaid (issued)	838,151	(1,082,050)
Purchase of property, plant and equipment (Note 8)	(1,048,899)	(1,680,483)
Proceeds from sale of property, plant and equipment	-	640,950
Interest received	9,847,248	9,812,709
Dividends received	388,954	374,712
Net cash from (used in) investing activities	2,160,769	(2,635,802)

(Continued)

See notes to consolidated financial statements.

FAMGUARD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011
(Expressed in Bahamian dollars)

	2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid on ordinary shares	(2,400,000)	(2,400,000)
Dividends paid on preferred shares	(662,500)	(700,000)
Net cash used in financing activities	(3,062,500)	(3,100,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,148,249	496,695
CASH AND CASH EQUIVALENTS:		
Beginning of year	4,832,187	4,335,492
End of year	$ 5,980,436	$ 4,832,187
CASH AND CASH EQUIVALENTS IS COMPRISED OF:		
Cash and bank balances	$ 5,634,365	$ 4,488,057
Short-term bank deposits	346,071	344,130
	$ 5,980,436	$ 4,832,187

(Concluded)

See notes to consolidated financial statements.

1. GENERAL

FamGuard Corporation Limited (the "Company") is incorporated under the laws of the Commonwealth of The Bahamas and serves as an investment holding company with five wholly owned subsidiaries; Family Guardian Insurance Company Limited (FG), BahamaHealth Insurance Brokers and Benefit Consultants Limited, FG Insurance Agents & Brokers Limited, FG Financial Limited and FG Capital Markets Limited (together, "the Group"). FG is the principal operating unit and is licensed as an insurance company under the Insurance Companies Act, 1969. FG sells life and health insurance products in The Bahamas.

The registered office of the Company is located at the offices of E. Dawson Roberts & Co., Parliament and Shirley Streets, Nassau, Bahamas.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on January 1, 2011. The adoption of these standards is as follows:

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of January 1, 2011:

- IFRS 1 Limited exemption from comparative IFRS 7 disclosures for first-time adopters effective 1 July 2010
- IAS 24 Related Party Disclosure effective 1 January 2011
- IAS 32 Classification of Rights Issue effective 1 February 2010
- IFRIC 14 Prepayment of a Minimum Funding Requirement effective 1 January 2011
- IFRIC 19 Extinguishing financial liabilities with equity instruments effective 1 July 2010
- Improvements to IFRSs (May 2010), the effective date of each amendment is included in the IFRS affected Adoption of these revised standards and interpretations and did not have any material effect on the financial performance or position of the Group. They did, however, give rise to additional disclosures in some occasions. The principal effects of these changes are as follows:

IFRS 1 ***First-time Adoption of International Financial Reporting Standards (Revised)***
The IASB issued an amendment to IFRS 1 to allow the first-time adopters to utilize the transitional provision in IFRS 7 *Financial Instruments: Disclosures,* relieving them from providing comparative information in the disclosures required by the amendment in the first year of application. The Group is not a first time IFRS adopter and therefore amendments to IFRS 1 have no impact on the financial statements.

IAS 24 ***Related Party Disclosures (Amendment)***
The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduced a partial exemption of disclosure requirements for government-related entities. There were no changes in related parties.

IAS 32 ***Financial Instruments: Presentation – Classification of Rights Issues***
The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given *pro rata* to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group after initial application.

IFRIC 14 ***Prepayments of a Minimum Funding Requirement***
The IFRIC gives guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The interpretation is effective retrospectively for annual periods beginning on or after 1 January 2011. The Group adopted this amendment as of 1 January 2011. It does not have an impact on the financial position or performance of the Group as the Group is not required to make any prepayment of a minimum funding requirement.

IFRIC 19 ***Extinguishing Financial Liabilities with Equity Instruments***
The IFRIC clarified that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instrument issued. If the fair value of the equity instrument issued is not reliably determinable, the equity instrument should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment. Any difference between the carrying amount of the financial liability extinguished and the fair value of the equity issued is recognized in profit or loss. This interpretation is effective prospectively for financial years beginning on or after 1 July 2010. The adoption of this interpretation has no effect on profit or loss nor equity of the Group as the Group has not entered into such debt for equity swap.

In May 2010 the IASB issued its annual amendments to International Financial Reporting Standards (IFRSs) and the related Basis for Conclusions and guidance made. The IASB uses the annual improvements process to make necessary, but non-urgent, amendments to IFRSs that will not be included as part of a major project. The amendments primarily deal with a view to remove inconsistencies and clarify wording. The Group has adopted the following amendments to standards as they come to effect for the reporting period beginning on January 1, 2011:

IFRS 3 *Business Combinations*
The first amendment clarifies that the amendments to IFRS 7 *Financial Instruments: Disclosures*, IAS 32 *Financial Instruments: Presentation* and IAS 39 *Financial Instruments: Recognition and Measurement*, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008). It is effective for annual periods beginning on or after 1 July 2010 and applied retrospectively. This has no impact on the Group as the Group has no contingent consideration upon business combinations.

IFRS 3 *Business Combinations*
The second amendment limits the scope of the measurement choices that only the components of NCI that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. Other components of NCI are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS. It is effective for annual periods beginning on or after 1 July 2010 and applied prospectively. The amendment has no impact on the Group.

IFRS 3 *Business Combinations*
The final amendment requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions. However, if the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognized as post-combination expenses. The amendment also specifies the accounting for share-based payment transactions that the acquirer does not exchange for its own awards: if vested - they are part of NCI and measured at their market-based measure; if unvested — they are measured at market-based value as if granted at acquisition date, and allocated between NCI and post-combination expense. It is effective for annual periods beginning on or after July 1, 2010 and applied prospectively. The amendment has no impact on the Group.

IFRS 7 *Clarification of Disclosures*
The amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments and amends certain credit risk disclosures. It is effective for annual periods on or after 1 January 2011 and applied retrospectively.

IAS 1 *Presentation of Financial Statements*
Amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. It is applicable prospectively to annual periods beginning on or after January 1, 2011. The Group elects to present such analysis in the consolidated statement of changes in equity.

IAS 27 *Consolidated and Separate Financial Statements*
The amendment clarifies that the consequential amendments from IAS 27 made to IAS 21 *The Effect of Changes in Foreign Exchange Rates*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures* apply prospectively for annual periods beginning on or after July 1, 2009, or earlier when IAS 27 is applied earlier. It is applicable retrospectively to annual periods beginning on or after July 1, 2010. This has no impact on the Group financial statements.

IFRIC ***13 Fair Value of Award Credit***
The amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account. This has no impact on the Group as the Group does not have a customer loyalty programme.

Standards and interpretations that have been issued, but not yet effective as of January 1, 2011:

Standards issued, but not yet effective, up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt the standards when they become effective.

Amendments to IAS 19 Employee Benefits
The amendments to IAS 19 remove the option to defer the recognition of actuarial gains and losses, i.e., the corridor mechanism. All changes in the value of defined benefit plans will be recognized in profit or loss and other comprehensive income. The effective date of the standard is January 1, 2013. The adoption of these amendments will require the Group to recognize the service cost and a net interest income or expense in profit or loss and the re-measurements of the pension assets and liabilities, i.e., actuarial gains and losses in the other comprehensive income.

Amendments to IAS 1 Presentation of Financial Statements
The amendments to IAS 1 require changes to the presentation of other comprehensive income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The effective date of the standard is 1 January 2013. The Group decided not to early adopt the amendments and expects that the adoption will only affect the presentation of the statement of comprehensive income.

IFRS 9 ***Financial Instruments: Classification and Measurement***
IFRS 9 as issued reflects the first phase of the Board's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the Board will address impairment and hedge accounting. The completion of this project is expected in 2012. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. However, the Group determined that the effect will be quantified only in conjunction with the other phases when issued, to present a comprehensive picture.

IFRS 10 ***Consolidated Financial Statements***
IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation – Special Purpose Entities.* The standard establishes a single control model that applies to all entities. It will require management to exercise judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent. It is effective for annual periods beginning on or after January 1, 2013.

IFRS 11 ***Joint Arrangements***
IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers.* The standard addresses two forms of joint arrangements, i.e., joint operations and joint ventures. To assess whether there is joint control IFRS 11 uses the principle of control in IFRS 10. The existing option to account for jointly controlled entities under IAS 31 using proportionate consolidation is removed in this standard. The effective date of this standard is 1 January 2013. The Group has no joint arrangements, as such; the adoption of this standard is expected to have no impact on the financial statement of the Group.

IFRS 12 ***Disclosure of Interests in Other Entities***
IFRS 12 includes all the disclosures that were previously in IAS 27, IAS 31 and IAS 28 *Investment in Associates*. A number of new disclosures are added to the existing requirements such as the judgments made to determine whether it controls another entity. This standard is effective for the annual periods beginning on or after 1 January 2013. IFRS 12 is a disclosure only standard and therefore will have no effect on profit or loss or the equity of the Group.

IFRS 13 Fair Value Measurement
IFRS 13 provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. The standard is effective for annual periods on or after 1 January 2013. The adoption of IFRS 13 will affect some of the fair value of certain assets and liabilities and thus affecting the profit and equity of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

a. ***Statement of compliance*** - The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and the interpretations adopted by the IASB.

b. ***Basis of preparation*** - The consolidated financial statements include the Company and its wholly-owned subsidiaries, and have been prepared under the historical cost convention, except for the revaluation of certain property, plant and equipment and financial instruments.

The preparation of consolidated 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 separately.

The accounting policies set out below have been applied consistently by the Group's entities.

c. ***Basis of consolidation*** - 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 that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. 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 minority 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. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of comprehensive income.

Inter-company transactions, balances and unrealized gains and losses on transactions between the Group and its wholly-owned subsidiaries are eliminated.

d. ***Cash and cash equivalents*** - For purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash on hand, demand balances with banks and bank term deposits with original contractual maturities of three months or less.

e. ***Product classification*** - Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. Contracts can be reclassified as insurance contracts after inception if insurance risk becomes significant. Any contracts not considered to be insurance contracts under IFRS are classified as investment contracts.

f. ***Reserves for insurance contracts*** - The reserves for insurance contracts in force at the consolidated statement of financial position date are calculated according to principles determined by the Group's appointed actuary.

The Group calculates its liabilities for individual life insurance policies using the Canadian Policy Premium Method ("PPM"). The calculation of these policy reserves is based on assumptions as to future rates for mortality and morbidity, investment yields, policy lapse and expenses, which contain margins for adverse deviations.

Liabilities for deferred annuity policies are computed as the value of accrued invested funds. Reserves for immediate payment annuities are equal to the present value of future benefits.

Claims reserves for group health policies are estimated from incurred claims and the history of prior claim payments.

Liabilities for other short-term health policies renewable at the option of the Group comprise unearned premiums plus a contingency reserve for claims.

g. ***Property, plant and equipment*** - Freehold land and buildings are shown at fair value, based on periodic, normally triennially, valuations by external independent appraisers, less accumulated 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 adjusted to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Improvements which extend the useful lives or increase the value of assets are capitalized.

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 costs are charged to the consolidated statement of comprehensive income as repairs and maintenance during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of freehold land and buildings are credited to the revaluation surplus account in equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve account directly in equity, all other decreases are charged to the consolidated statement of comprehensive income.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

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

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts over their estimated useful lives, as follows:

Freehold buildings	2.5% per annum
Furniture and equipment	10% - 20% per annum
Motor vehicles	25% per annum
Computer hardware and software	20% - 33% per annum
Leasehold improvements	shorter of period of the leases and estimated economic life of the improvements

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

Construction in progress is stated at cost. Depreciation charges are deferred on construction in progress until project completion, at which time such assets are transferred to specific categories of property, plant and equipment.

h. Financial investment assets:

The Group classifies its financial investment assets in the following categories; (i) held-to-maturity, (ii) available for sale and (iii) loans and receivables. The classification depends on the purpose for which the investment assets were acquired. Management determines the classification of its investment assets at initial recognition and re-evaluates this designation at every reporting date.

(i) Held-to-maturity

Held-to-maturity financial assets are non-derivative assets with fixed or determinable payments and fixed maturities, other than those that meet the definition of loans and receivables that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are recorded at amortized cost using the effective interest method, less any impairment, with revenue recognized on an effective yield basis.

(ii) Available for sale

A financial investment asset is classified as financial assets available for sale if acquired principally for the purpose of selling in the long-term or if it does not meet the definition for any other category.

Regular-way purchases and sales of equities are recognized on trade date, which is the date that the Group commits to purchase or sell the equity. Investments in equities are initially recognized at cost and subsequently re-measured at fair value.

Fair value is determined by reference to quoted bid prices for ordinary shares. Investments are determined to have been sold when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Unrealized gains and losses arising from changes in the fair value of the investments in equities category are presented in the consolidated statement of comprehensive income in the period in which they arise. Realized gains and losses arising from changes in the fair value of the investments in equities category are transferred from the consolidated statement of comprehensive income to the consolidated statement of comprehensive income in the period in which they arise.

(iii) Loans and receivables

A financial investment asset is classified at amortized cost if it is a non-derivative financial asset with fixed or determinable payments that is not quoted in an active market, other than those that the Group intends to sell in the short-term.

Loans and receivables are carried at amortized cost, using the effective interest method less any provision for impairment in value.

A loan or receivable is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for loans and receivables carried at amortized cost is calculated as the difference between the carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate.

i. ***Loans*** **-** Policy loans arise when the Group extends money to the policy holder. Policy loans and accrued interest are fully collateralized by the cash surrender value of the policy. Automatic premium loans arise under the terms of a life insurance contract should the premium become past due on the contract.

Policy loans and automatic premium loans are carried at the balance outstanding plus accrued interest. No provision for loss on these loans is deemed necessary by management because these loans are fully collateralized by the cash surrender value of the policies.

Mortgage and commercial loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money directly to a borrower with no intention of trading the receivable. Mortgage loans are secured by first demand mortgages and provide for monthly repayments at variable interest rates over periods of up to twenty-five years on residential loans and up to twenty years on commercial loans.

Mortgage and commercial loans are stated at the principal balance outstanding less specific provisions on certain non-current loans. Specific provisions are made on non-current loans for mortgages over three months in arrears, based on management's evaluation of the respective loans. A specific provision for non-current mortgage loans is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the mortgage loan. Significant financial difficulties of the borrower, probability that the borrower will enter financial reorganization, and default or delinquency in payments are considered indicators that the mortgage loan is impaired. The amount of the specific provision for loans is the difference between the loan's carrying amount and the recoverable amount, being the present value of estimated future cash flows, including recoveries from guarantees and collateral, discounted at the effective interest rate at inception of the loan. The amount of the provision for loan loss is recognized in the consolidated statement of comprehensive income. If the amount of the provision subsequently decreases due to an event occurring after the write-down, the release of the provision is recognized in the consolidated statement of comprehensive income. Payments on loans past due are first applied to the interest outstanding. Accrued interest on non-current loans is excluded from interest income.

j. ***Foreign currency translation***:

(i) ***Functional and presentation currency*** - Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates (functional currency), the Bahamian dollar. The consolidated financial statements are presented in Bahamian dollars, which is also the Group's presentation currency.

(ii) ***Transactions and balances*** - Assets and liabilities denominated or accounted for in currencies other than the Bahamian dollar are translated into Bahamian dollars at the exchange rate prevailing at the consolidated statement of financial position date. Foreign currency transactions and income and expense items have been translated at the exchange rates prevailing at the date of the transaction. Gains or losses arising from transactions in foreign currencies are included in the consolidated statement of comprehensive income.

k. ***Impairment of assets*** - The Group assesses at each consolidated statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment, for assets carried at amortized cost is calculated as the difference between the assets carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate.

If in a subsequent period, the amount of the impairment decreases and the decrease can be related objectivity to an event occurring after the impairment was recognized, the previously recognized impairment is decreased and the decrease is recognized in the consolidated statement of comprehensive income.

l. ***Reinsurance transactions*** - In the normal course of its life and health insurance business, the Group seeks to limit its exposure to loss on any single insured and to recover benefits paid, by ceding premiums to reinsurers under excess coverage contracts. Contracts entered into that meet the classification requirements for insurance contracts in Note 3(u) are classified as reinsurance contracts held. The Group retains a range of $75,000 to $150,000 (2010: $50,000 to $150,000) coverage per individual life.

The benefits to which the Group is entitled under reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers and are classified within receivables and other assets. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured 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.

Reinsurance payables are recorded in accounts payable and accruals in the consolidated statement of financial position.

m. ***Non-premium revenue and expense recognition*** - Non-premium revenue and expenses are accounted for on the accrual basis. Interest income is recognized using the effective interest method. Dividend income is recorded when the right to receive payment is established.

Income which forms an integral part of the effective interest rate of a loan (i.e. commitment fees) is deferred and recognized as income over the life of the loan.

n. ***Leases*** - Leases where 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 recognized in the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

o. ***Employee benefits - pension obligations*** - The Group has a defined contribution pension plan for eligible agents and employees whereby the Group pays contributions to a pension plan separately administered by the Group. The Group has no further payment obligations once the contributions have been paid. The plan requires participants to contribute 5% of their gross earnings and commissions and the Group contributes 3.5% of eligible earnings. The Group's contributions to the defined contribution pension plan are recognized in the consolidated statement of comprehensive income in the year to which they relate.

p. ***Employee benefits - postretirement medical benefit*** - The Group determines the cost of providing benefits using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses that exceed 10% of the greater of the present value of the Group's defined benefit obligation and the fair value of plan assets as at the end of the prior year are amortized over the expected average remaining working lives of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and is reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

q. ***Share capital*** - Shares are classified as equity when there is no obligation to transfer cash or other assets.

r. ***Earnings per share*** - Basic earnings per share is calculated by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury shares. There are no dilutive transactions that would have an impact to earnings per share.

s. ***Dividend distribution*** - Dividend distribution to the Group's shareholders are recognized in the consolidated financial statements in the year in which the dividends are declared by the Board of Directors.

t. ***Insurance contracts - 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.

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:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Group; and
- that are contractually based on:

  (i) the performance or a specified pool of contracts or a specified type of contract; and

  (ii) realized and/or unrealized investment returns on a specified pool of assets held by the Group.

The amount and timing of the distribution to individual contract holders is at the discretion of the Group, subject to the advice of the appointed actuary.

u. ***Insurance contracts - recognition and measurement -*** Insurance contracts including those with DPF are classified into four main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

Short-term insurance contracts

These contracts are group and individual health and hospitalization contracts, and short-duration life insurance contracts. These contracts protect policyholders from the consequences of events (such as death, disability or sickness) that would affect the ability of the policyholder or his/her dependents to maintain their current level income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or are linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

Claims and loss adjustment expenses are recognized in the consolidated statement of comprehensive income as incurred based on the estimated liability for compensation owed to policyholders. They include direct and indirect claims settlement costs and 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. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported.

Long-term insurance contracts with fixed and guaranteed terms

These contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognized as revenue when they become payable by the policyholder. Premiums are shown before deduction of commission.

Benefits payable to beneficiaries are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred is recorded when the premiums are recognized. The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income. A margin for adverse deviations is included in the assumptions.

Long-term insurance contracts without fixed and guaranteed terms

These contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognized as revenue when they become payable. These liabilities however, are increased by credited interest (in the case of universal life contracts) or change in the unit prices (in the case of unit-linked contracts) and are decreased by policy administration fees, mortality and surrender charges and any withdrawals. Premiums are shown before deduction of commission.

Liabilities for universal life policies, including unit-linked contracts, are based on assumptions as to future mortality, persistency, maintenance expenses, investment income, and crediting interest rates. A margin for adverse deviations is included in the assumptions.

Liabilities for deferred annuities are set equal to the policyholder account values.

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

These contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognized as revenue when they become payable by the policyholder. Premiums are shown before deduction of commission.

Benefits payable to beneficiaries are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred is recorded when the premiums are recognized. The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income. A margin for adverse deviations is included in the assumptions.

In addition, these contracts also participate in the profits of the Group. As the Group declares the bonus to be paid, it is credited to the individual policyholders.

v. ***Other provisions*** **-** Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation of the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

w. ***Related parties*** - Related parties are defined as follows:

(i) Controlling shareholders; (ii) Subsidiaries; (iii) Associates; (iv) Individuals owning, directly or indirectly, an interest in the voting power that gives them significant influence over the enterprise, i.e. normally more than 20% of shares (plus close family members of such individuals); (v) Key management personnel - persons who have authority for planning, directing and controlling the enterprise (plus close family members of such individuals); (vi) Directors and (vii) Enterprises owned by the individuals described in (iv) and (v).

x. ***Segments*** - For the purposes of segment reporting, the products and services provided by the Group are subject to similar risks and returns. There are no distinguishable geographical segments, as the geographical areas in which the Group operates are considered to be of similar economic and political conditions and subject to the same risks and returns. Direct expenses are recognized directly by the segment. General and administrative expenses are allocated mainly by square footage of office space used or head count depending on the nature of the expense.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgments in applying the Group's accounting policies - In the process of applying the Group's accounting policies, which are described above, judgments made by management that have the most significant effect on the amounts recognized in the consolidated financial statements are discussed in the relevant notes below.

Key sources of estimation uncertainty - critical accounting estimates - The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities, at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Certain amounts included in or affecting the Group's financial statements and related disclosure must be estimated, requiring the Group to make assumptions with respect to values or conditions which cannot be known with certainty at the time the consolidated financial statements are prepared. A ''critical accounting estimate'' is one which is both important to the portrayal of the Group's financial condition and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The Group evaluates such estimates on an ongoing basis, based upon historical results and experience, consultation with experts, trends and other methods considered reasonable in the particular circumstances, as well as the forecasts as to how these might change in the future.

a. ***Estimate of future 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 mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent 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, 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 contacts where the Group is exposed to longevity risk.

b. ***Impairment***

The Group has made significant investments in tangible assets. These assets and investments are tested for impairment when circumstances indicate there may be potential impairment. Factors considered important which could trigger an impairment review include the following: significant fall in market values; significant underperformance relative to historical or projected future operating results; significant changes in the use of the assets or the strategy for the overall business, including assets that are decided to be phased out or replaced and assets that are damaged or taken out of use; significant negative industry or economic trends; and significant cost overruns in the development of assets.

Estimating recoverable amounts of assets must in part be based on management evaluations, including estimates of future performance, revenue generating capacity of the assets, assumptions of the future market conditions and the success in marketing of new products and services. Changes in circumstances and in management's evaluations and assumptions may give rise to impairment losses in the relevant periods.

c. ***Depreciation and amortization***

Depreciation and amortization is based on management estimates of the future useful life of property, plant and equipment and on the revaluation analysis performed triennially. Estimates may change due to technological developments, competition, changes in market conditions, the revaluation analysis and other factors and may result in changes in the estimated useful life and in the amortization or depreciation charges. The Group reviews the future useful life of property, plant and equipment periodically, taking into consideration the factors mentioned above and all other important factors. Estimated useful life for similar type of assets may vary between different entities in the Group due to local factors such as growth rate, maturity of the market, history and expectations for replacements or transfer of assets, climate, etc. In the case of significant changes in the estimated useful lives, depreciation and amortization charges are adjusted prospectively.

*d. Legal proceedings, claims and regulatory discussion*s

The Group is subject to various legal proceedings, claims and regulatory discussions, the outcomes of which are subject to significant uncertainty. The Group evaluates, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require the Group to increase or decrease the amount the Group has accrued for any matter, or accrue for a matter that has not been previously accrued because it was not considered probable, or a reasonable estimate could not be made.

e. Loan loss provision

To cover any shortfalls from mortgage loans, the Group records specific provisions on non-current loans, based on the assessed value of the underlying collateral and other determinants of net realizable value.

f. Held-to-maturity financial investment assets - Management have reviewed the Group's held-to-maturity financial investment assets in the light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The Group issues contracts that transfer insurance risk or financial risk or both. The Group's activities expose it to a variety of financial risks, including the effects of changes in equity market prices and interest rates. The Group's overall risk management approach focuses on the unpredictability of insured events and financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

a. Fair value of financial assets and liabilities

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

In the opinion of the management, the estimated fair value of financial assets and financial liabilities (cash and bank balances, premiums receivable, receivables and other assets and accounts payable and accrued liabilities) at the statement of financial position date were not materially different from their carrying values due to their short term nature.

(Continued)

	2011				
	Loans and Receivables	Held-To-Maturity	Available-For-Sale	Amortised Cost	Total
FINANCIAL ASSETS					
Financial investment assets	$ 73,337,635	$65,707,822	$ 6,660,917	$ -	$ 145,706,374

	2010				
	Loans and Receivables	Held-To-Maturity	Available-For-Sale	Amortised Cost	Total
FINANCIAL ASSETS					
Financial investment assets	$ 74,785,118	$60,490,124	$ 6,474,103	$ -	$ 141,749,345

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2011			
	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Available-For-Sale				
Financial investment assets	$ 6,526,001	$ 134,916	$ -	$ 6,660,917
	$ 6,526,001	$ 134,916	$ -	$ 6,660,917

	2010			
	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Available-For-Sale				
Financial investment assets	$ 6,326,537	$ 147,566	$ -	$ 6,474,103
	$ 6,326,537	$ 147,566	$ -	$ 6,474,103

(Continued)

b. 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 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 expected. Insurance events are random and the actual number and amounts of claims and benefits will vary from year to year from the estimate established via 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 retains a range of $75,000 to $150,000 (2010: $50,000 to $150,000) coverage per individual.

Long-term insurance contracts

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency and severity of claims are epidemics, such as AIDS, and wide ranging lifestyle changes, such as in eating, smoking and exercise habits resulting in earlier or more claims than expected.

The Group manages these risks through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type and level of insured benefits. The Group's underwriting strategy includes medical selection with benefits limited to reflect the health condition of applicants and retention limits on any single life insured.

The table below indicates the concentration of insured benefits across four bands of insured benefits per individual life insured.

$	2011	2010
0 - 9,999	$ 119,316,093	$ 119,250,697
10,000 - 24,999	321,994,348	305,443,533
25,000 - 49,999	121,186,588	119,098,960
50,000 and over	1,095,314,974	1,085,124,608
	$1,657,812,003	$1,628,917,798

(Continued)

Short-term insurance contracts

The following table shows the estimate of claims by calendar year, net of reinsurance. Data is shown for nine years, because that is all the data that is reliably available. The top half of the table shows how the estimate of total incurred claims for each calendar year varies based on when the estimate is made. Generally, the estimate becomes closer to the final reality in each subsequent year, as a smaller percentage of claims remain unpaid. The lower portion of the table reconciles the current estimate of incurred claims (less those claims already paid) with the amount included in the consolidated statement of financial position on December 31, 2011. (All amounts are in $000).

	Year claim is incurred									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Estimate of ultimate claims										
End of year incurred	$ 9,344	$ 9,940	$ 11,781	$ 15,372	$ 16,632	$ 24,044	$ 36,431	$ 37,425	$ 36,266	$ 197,235
One year later	$ 9,083	$ 9,953	$ 12,807	$ 14,497	$ 15,767	$ 23,552	$ 35,196	$ 37,000		
Two years later	$ 9,092	$ 9,957	$ 12,830	$ 14,521	$ 15,703	$ 22,693	$ 35,204			
Three years later	$ 9,091	$ 9,956	$ 12,839	$ 14,516	$ 15,119	$ 22,700				
Four years later	$ 9,091	$ 9,956	$ 12,836	$ 13,982	$ 15,120					
Current (December 31, 2011) estimate of ultimate claims	$ 8,758	$ 9,591	$ 12,366	$ 13,982	$ 15,120	$ 22,700	$ 35,204	$ 37,000	$ 36,266	$ 190,987
Cumulative payments (through December 31, 2011)	8,758	9,591	12,366	13,981	15,120	22,700	35,191	36,832	29,399	183,938
Current (December 31, 2011) statement of financial position liability	$ -	$ -	$ -	$ -	$ -	$ -	$ 13	$ 168	$ 6,867	$ 7,049

c. *Cash flow and fair value interest rate risk*

Cash flow risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored daily. Loans and held to maturity financial assets are subject to floating interest rates. If future interest rates were increased or decreased by 1% the consolidated statement of comprehensive income would increase or decrease by $1,249,273 (2010: $1,210,409).

(Continued)

d. Market risk

Market risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security, its issuer or factors affecting all securities traded in the market. The Group manages its risk through the Investment Committee, which monitors the price movement of securities on the Bahamas International Securities Exchange (BISX). If future market prices were to increase or decrease by 10% this would result in an increase or decrease in other comprehensive income of $666,092 (2010: $647,410). Management mitigates this risk by diversification of its portfolio.

e. Credit risk

The Group has exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due. Key areas represented by aggregate amounts disclosed on the face of the consolidated statement of financial position where the Group is exposed to credit risk are:

- Term deposits placed with banks
- Mortgage loans and loans to policyholders
- Amounts due from reinsurers
- Amounts due from insurance policyholders

The Group's term deposits are mainly placed with well-known high quality banks. Mortgage loans and loans to policyholders are fully collateralized by the relevant property assets and cash surrender values respectively.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their publicly available financial information prior to finalization of any contract.

The Group has one main reinsurer for its long-term insurance contracts, a large multinational corporation that has a Standard & Poors (S&P) rating of AA-.

f. Liquidity risk

The Group is exposed to daily calls on its available cash resources from claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Group maintains sufficient liquidity (cash and marketable securities) to meet all contractual liabilities as they fall due. The following table shows the undiscounted payout pattern, net of premiums, of the actuarial liabilities.

(Continued)

	2011					
	Not Classified	Up to 1 year	1 to 5 years	6 to 10 years	over 10 years	Total
Short-term insurance contracts	$ -	$ 9,328,275	$ -	$ -	$ -	$ 9,328,275
Long-term with fixed and guaranteed terms	1,212,731	(1,495,955)	5,572,923	16,055,478	138,848,011	160,193,188
Long-term without fixed and guaranteed terms	47,893,121	539,092	5,519,893	6,075,445	16,285,228	76,312,779
Long-term without fixed and guaranteed terms and with DPF	-	834,318	5,209,534	7,993,979	33,979,617	48,017,448
Total	$49,105,852	$ 9,205,730	$16,302,350	$30,124,902	$189,112,856	$293,851,690

	2010					
	Not Classified	Up to 1 year	1 to 5 years	6 to 10 years	over 10 years	Total
Short-term insurance contracts	$ -	$12,081,514	$ -	$ -	$ -	$ 12,081,514
Long-term with fixed and guaranteed terms	7,176,077	(2,143,384)	463,714	12,367,048	171,066,753	188,930,208
Long-term without fixed and guaranteed terms	41,598,833	(386,481)	3,635,907	6,145,913	18,613,561	69,607,733
Long-term without fixed and guaranteed terms and with DPF	-	404,433	3,826,990	7,247,458	41,483,056	52,961,937
Total	$48,774,910	$ 9,956,082	$ 7,926,611	$25,760,419	$231,163,370	$323,581,392

Amounts not classified consist of deferred annuity fund balances and amounts held for unclaimed endowments past their maturity date.

g. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through optimization of the debt and equity balance. The Group's overall strategy remains unchanged from 2010.

The capital structure of the Group consists of cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings.

h. Operational risk

Operational risk relates to the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It is mitigated by communicated and enforced policies and procedures, staff training, and ongoing monitoring and review by management, as well as ongoing internal audit processes.

(Concluded)

6. FINANCIAL INVESTMENT ASSETS

Financial investment assets comprise the following:

	2011	2010
(a) Available for sale (AFS):		
At beginning of year	$ 6,474,103	$ 6,613,077
Purchase of equities	499,800	-
Change in unrealized loss on investment in equities through revaluation reserve	(312,986)	(138,974)
At end of year	$ 6,660,917	$ 6,474,103
(b) Held-to-maturity (HTM):		
Bahamas Government bonds	$ 43,343,500	$ 42,070,500
Bahamas Mortgage Corporation bonds	7,800,000	3,600,000
Bridge Authority bonds	307,400	307,400
Education Loan Authority bonds	6,300,000	6,300,000
Clifton Heritage bonds	2,004,800	2,004,800
Government bonds, at cost	59,755,700	54,282,700
Add: Accrued interest receivable	953,941	1,007,652
	60,709,641	55,290,352
Redeemable preferred shares, at cost	2,200,000	2,400,000
Add: Accrued interest receivable	15,550	16,719
	2,215,550	2,416,719
Corporate bond, at cost	2,750,000	2,750,000
Add: Accrued interest receivable	32,631	33,053
	2,782,631	2,783,053
Total financial investment assets held-to-maturity	$ 65,707,822	$ 60,490,124

Investments in equities comprise ordinary shares of Bahamian companies that are listed on the Bahamas International Stock Exchange ("BISX").

In accordance with amendments dated October 13, 2008 to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures, the Group opted to reclassify its investment in equities from fair value through profit or loss to available for sale with effect from July 1, 2008. The carrying value of the investments in the reclassified equities is equivalent to the fair value and as at December 31, 2011 is $6,660,197 (2010: $6,474,103). The fair value loss that would have been recognized in net income for the period ending December 31, 2011 had the investment in equities not been reclassified is $312,986 (2010: $138,974).

(Continued)

	2011	2010
(c) Loans:		
(i) Policy loans comprise:		
Policy loans	$ 9,152,402	$ 8,985,509
Automatic premium loans	2,411,192	2,498,834
	11,563,594	11,484,343
Add: Accrued interest receivable	582,614	572,501
	12,146,208	12,056,844
(ii) Mortgage loans comprise:		
Commercial:		
Current	6,554,962	3,846,855
Over 90 days	1,227,097	1,290,931
Residential:		
Current	50,061,968	54,626,236
Over 90 days	4,192,726	3,152,619
	62,036,753	62,916,641
Less: Specific provision for credit risk	(781,018)	(544,462)
Deferred commitment fees	(430,923)	(454,876)
	60,824,812	61,917,303
Add: Accrued interest receivable	290,654	289,422
	61,115,466	62,206,725
(iii) Other loans	75,961	521,549
Total loans	$ 73,337,635	$ 74,785,118

Policy loans and automatic premium loans (APLs) are allowed on Ordinary Life policies. An interest rate ranging from 10% to 11% (2010: 10% to 11%) per annum is charged on policy loans and APLs.

Movements in loan loss provisions are as follows:

	Specific Provision
Balance as of December 31, 2009	$ 397,035
Increase in provision	147,427
Balance as of December 31, 2010	544,462
Bad debt expense	236,556
Balance as of December 31, 2011	$ 781,018

(Continued)

An interest rate of 5.75% per annum (2010: 6.5%) is charged on residential mortgage loans to directors, officers and staff with two or more years of service. Related party interest income from mortgages for the year ended December 31, 2011 is $84,245 (2010: $68,244) and related party interest receivable on mortgages as of December 31, 2011 is $2,983 (2010: $2,702).

As of December 31, 2011, the Group had non-performing mortgage loans of $5,449,824 (2010: $4,443,549) for which interest of $1,241,133 (2010: $1,103,266) had not been recognized on the consolidated statement of comprehensive income.

(Concluded)

7. RECEIVABLES AND OTHER ASSETS

Receivables and other assets comprise:

	2011	2010
Other receivables and other assets	$ 2,361,399	$ 1,748,565
Receivables from staff self-funded medical plan	1,177,939	556,796
Receivables from general insurance clients	682,554	137,892
Accrued interest receivable - bank term deposits	174,200	133,254
Utility deposits	112,546	112,546
	$ 4,508,638	$ 2,689,053

8. PROPERTY, PLANT AND EQUIPMENT

The movement of property and equipment for the year is as follows:

	2011							
	Freehold Land	Freehold Buildings	Furniture & Equipment	Motor Vehicles	Computer Hardware & Software	Leasehold Improvements	Construction in Progress	Total
Year ended December 31, 2011								
Opening net book amount	$ 8,284,544	$ 18,880,885	$ 1,370,169	$ 6,759	$ 588,842	$ 3,127,139	$ 572,653	$ 32,830,991
Additions	21,000	-	26,475	-	155,032	2,047	844,345	1,048,899
Revaluations	1,467,939	391,712	-	-	-	(617,961)	-	1,241,690
Transfers	-	-	-	-	605,168	-	(605,168)	-
Disposals	-	-	-	-	-	-	-	-
Depreciation charge	-	(832,168)	(281,968)	(5,407)	(308,626)	(568,604)	-	(1,996,773)
Closing net book amount	$ 9,773,483	$ 18,440,429	$ 1,114,676	$ 1,352	$ 1,040,416	$ 1,942,621	$ 811,830	$ 33,124,807
As of December 31, 2011								
Cost or revaluation	$ 9,773,483	$ 18,440,430	$ 3,239,834	$ 64,556	$ 2,890,862	$ 4,198,804	$ -	$ 38,607,969
Construction in progress	-	-	-	-	-	-	811,830	811,830
Accumulated depreciation	-	-	(2,125,158)	(63,204)	(1,850,447)	(2,256,183)	-	(6,294,992)
Net book amount	$ 9,773,483	$ 18,440,430	$ 1,114,676	$ 1,352	$ 1,040,415	$ 1,942,621	$ 811,830	$ 33,124,807

(Continued)

	2010							
	Freehold Land	Freehold Buildings	Furniture & Equipment	Motor Vehicles	Computer Hardware & Software	Leasehold Improvements	Construction in Progress	Total
Year ended December 31, 2010								
Opening net book amount	$ 8,311,555	$ 18,710,160	$ 1,562,717	$ 17,205	$ 705,284	$ 3,892,176	$ 647,634	$ 33,846,731
Additions	445,489	805,347	234,288	-	147,872	47,487	-	1,680,483
Transfers	-	-	-	-	-	74,981	(74,981)	-
Disposals	(472,500)	(137,359)	-	-	-	-	-	(609,859)
Depreciation charge	-	(497,263)	(426,836)	(10,446)	(264,314)	(887,505)	-	(2,086,364)
Closing net book amount	$ 8,284,544	$ 18,880,885	$ 1,370,169	$ 6,759	$ 588,842	$ 3,127,139	$ 572,653	$ 32,830,991
As of December 31, 2010								
Cost or revaluation	$ 8,284,544	$ 20,219,418	$ 3,213,359	$ 64,556	$ 2,131,883	$ 4,816,765	$ -	$ 38,730,525
Construction in progress	-	-	-	-	-	-	572,653	572,653
Accumulated depreciation	-	(1,338,533)	(1,843,190)	(57,797)	(1,543,041)	(1,689,626)	-	(6,472,187)
Net book amount	$ 8,284,544	$ 18,880,885	$ 1,370,169	$ 6,759	$ 588,842	$ 3,127,139	$ 572,653	$ 32,830,991

Freehold land and buildings each include a revaluation surplus of $5,711,539 (2010: $5,099,436) and $3,361,983 (2010: $5,775,073), respectively.

An independent valuation of the Group's land and building was performed by Bahamas Realty to determine the fair value of the land and building. The valuation, which conforms to International Valuation Standards, was determined using the sales comparison method. The effective date of the valuation was December 31, 2011.

Had the Group's land and buildings been measured on a historical cost basis, their carrying amount would have been $19,140,390 (2010: $18,501,430).

(Concluded)

9. RESERVES FOR FUTURE POLICYHOLDERS' BENEFITS

The Canadian Policy Premium Method (PPM) is used for the determination of reserves for future policyholder benefits of long-term insurance contracts.

As of December 31, 2011 the aggregate reserves for future policyholders' benefits and related life insurance in force are summarized as follows:

	Reserves		Insurances in force	
	2011	2010	2011	2010
Ordinary life	$ 47,821,521	$ 44,818,440	$2,268,554,000	$2,247,001,000
Annuities	53,372,183	44,149,059	-	-
Home service life	26,596,204	23,335,774	509,739,000	489,706,000
Accident and health	9,328,276	12,081,513	-	-
Gross Liabilities	137,118,184	124,384,786	2,778,293,000	2,736,707,000
Reinsurance assets	(4,618,265)	(4,578,238)	-	-
	$132,499,919	$119,806,548	$2,778,293,000	$2,736,707,000

The reserves for future policyholders' benefits are determined annually by actuarial valuation and represent an estimate of the amount required, together with future premiums and investment income, to provide for future benefits and expenses payable on insurance and annuity contracts. The reserves are calculated using assumptions for future policy lapse rates, mortality, morbidity rates, maintenance expenses and interest rates. The assumptions also include provisions for adverse deviation to recognize uncertainty in establishing the assumptions and to allow for possible deterioration in experience. The process of determining the provision necessarily involves risks that the actual results will deviate from the assumptions made.

During the year, the Company reclassified reserves for future policyholder benefits related to certain terminated home service life insurance and endowment policies to other policyholder funds in the amount of $5,958,660 (2010: $7,176,077).

Policy liabilities are calculated using best estimate assumptions with margins for adverse deviation.

(i) ***Mortality and Morbidity***

Assumptions for Home service life business are based on Group experience. Assumptions for other business lines are based on industry experience, as the Group does not have sufficient of its own experience. A margin is added for adverse deviation equal to 15 per 1,000 divided by the expectation of life for mortality and 8% to 10% for morbidity. If future mortality and morbidity rates were to differ by 10% from that assumed, the liability would increase by $2,910,000 (2010: $3,066,000) or decrease by $2,920,000 (2010: $3,071,000).

(Continued)

(ii) ***Investment Yields***

Assets are notionally allocated to life and annuity business lines. Expected investment yields are based on new money rates and expectant asset mix. A margin for adverse deviation is added by deducting 50 basis points from current rates and assuming future interest rates reduce to 5% over 20 years. If future interest rates were to differ by 1% from that assumed, without changing the policyholder dividend scale, the liability would increase by $10,960,000 (2010: $12,718,000) or decrease by $8,119,000 (2010: $8,705,000).

(iii) ***Persistency***

Lapse rates are based on Group's experience where credible experience is available and industry experience is used where credible Group experience is not available. A margin for adverse deviation is added by increasing or decreasing lapse rates; whichever is adverse, by 20%. If future lapse rates were to differ by 10% from that assumed, the liability would increase by $957,000 (2010: $814,000) or decrease by $1,085,000 (2010: $912,000).

(iv) ***Expenses***

Expenses are based on best estimates of Group experience. Expenses are increased 10% as a margin for adverse deviation. Expenses are assumed to increase annually at a rate of 3% initially, decreasing to 2% over 20 years. Home service business is assumed to increase annually at a rate of 4.5% initially, decreasing to 3.5% over 20 years. If future expenses were to differ by 10% from that assumed, the liability would increase by $2,317,000 (2010: $2,657,000) or decrease by $2,289,000 (2010: $2,624,000).

(v) ***Ongoing Review***

Actuarial assumptions are continuously reviewed based on emerging Group and industry experience and revised if appropriate and material.

(vi) ***Margins for Adverse Deviation Assumptions***

The basic assumptions made in establishing policy liabilities are best estimates for a range of possible outcomes. To recognize the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the appointed actuary is required to include a margin in each assumption.

The impact of these margins is to increase reserves and so decrease the income that would be recognized on inception of the policy. The Canadian Institute of Actuaries prescribes a range of allowable margins. The Group uses assumptions at the conservative end of the range, taking into account the risk profiles of the business.

(Continued)

The movements in reserves for future policyholders' benefits and other policyholder benefits (namely insurance liabilities), by line of business, are summarized below:

a. Short-term insurance contracts:

	2011	2010
Liabilities at beginning of year	$ 12,081,513	$ 8,705,478
Usual change in In-Force Business and New Business	(2,753,237)	3,376,035
Liabilities at end of year	$ 9,328,276	$ 12,081,513

b. Long-term insurance contracts with fixed and guaranteed terms:

	2011	2010
Liabilities at beginning of year	$ 36,867,705	$ 43,974,990
Changes in Data, Methods, and Assumptions	983,717	(2,119,113)
New Business	(465,995)	(3,655,553)
Usual change in In-Force Business	6,527,150	(1,332,619)
Liabilities at end of year	$ 43,912,577	$ 36,867,705

c. Long-term insurance contracts without fixed and guaranteed terms:

	2011	2010
Liabilities at beginning of year	$ 53,391,820	$ 46,112,135
Changes in Data, Methods, and Assumptions	207,670	245,358
New Business	6,640,626	7,136,888
Usual change in In-Force Business	843,102	(102,561)
Liabilities at end of year	$ 61,083,218	$ 53,391,820

(Continued)

d. Long-term insurance contracts with fixed and guaranteed terms and with Discretionary Participation Features (DPF):

	2011	2010
Liabilities at beginning of year	$ 17,465,510	$ 16,783,114
Changes in Data, Methods, and Assumptions	(299,184)	(761,660)
New Business	(251,777)	(385,205)
Usual change in In-Force Business	1,261,299	1,829,261
Liabilities at end of year	$ 18,175,848	$ 17,465,510

Long term insurance contracts with DPF are not measured at fair value due to the lack of a reliable basis for measuring it.

Total for all lines of business	2011	2010
Liabilities at beginning of year	$119,806,548	$115,575,718
Changes in Data, Methods, and Assumptions	892,202	(2,635,417)
New Business	5,922,853	3,096,130
Usual change in In-Force Business	5,878,316	3,770,117
Liabilities at end of year	$132,499,919	$119,806,548

(Concluded)

10. OTHER POLICYHOLDERS' FUNDS

Other policyholders' funds relate to unpaid benefits, premiums received in advance, unearned premiums and accumulated dividends.

11. PAYABLES AND ACCRUALS

Amounts due to reinsurers for reinsurance contracts at December 31, 2011 was $279,245 (2010: $3,194,830) and is included in the payables and accruals in the consolidated statement of financial position.

12. BANK OVERDRAFT FACILITIES

The Group has bank overdraft facilities of $250,000 (2010: $250,000). Amounts utilized under the facilities attract interest at Nassau prime plus 1.5%.

13. REVALUATION RESERVE

Revaluation reserve is comprised of the following:

	Financial Investment Assets Revaluation	Fixed Assets Revaluation	Total Revaluation Reserve
Balance as of December 31, 2009	$ (1,083,796)	$ 10,874,509	$ 9,790,713
Adjustment to fair value of investment in equities	(138,974)	-	(138,974)
Balance as of December 31, 2010	(1,222,770)	10,874,509	9,651,739
Adjustment to fair value of investment in equities	(312,986)	-	(312,986)
Adjustment to appraised value of fixed assets	-	1,241,690	1,241,690
Balance as of December 31, 2011	$ (1,535,756)	$ 12,116,199	$ 10,580,443

14. SHARE CAPITAL

The Group's share capital is comprised as follows:

	Variable Rate Cumulative Redeemable Preference Shares of $1,000 each par value		Ordinary Shares of $0.20 each par value	
	2011	**2010**	**2011**	**2010**
Authorized	10,000	10,000	15,000,000	15,000,000
Issued and fully paid	$ 10,000,000	$ 10,000,000	$ 2,000,000	$ 2,000,000
Shares outstanding at beginning of year	10,000	10,000	10,000,000	10,000,000
Shares outstanding at end of year	10,000	10,000	10,000,000	10,000,000

(Continued)

The Variable Rate Cumulative Redeemable Preference Shares (preference shares) carry a dividend rate of Nassau prime plus 1.5% per annum payable semi-annually. Dividends are declared by the Board of Directors in their sole discretion. The preference shares have no predetermined maturity date, yet the Group may call for the redemption of all or part of the issue on or after December 31, 2005 upon 90 days written notice. The preference shares rank with respect to the payment of dividends and distributions on liquidation: (1) senior to the Group's ordinary shares and (2) subordinate to any debentures, debt obligations, or policyholder claims currently or which the Group may enter into. The holders of the preference shares have no equity ownership or voting rights. There were no outstanding cumulative preference share dividends at the end of the year.

The excess of the issue and purchase price of the ordinary and preference shares over the par value less the costs incurred with the tender offer have been credited to the share premium account.

(Concluded)

15. NET PREMIUM INCOME AND ANNUITY DEPOSITS

Net premium income and annuity deposits are comprised of:

	2011	**2010**
Short-term insurance contracts	$67,031,081	$64,311,929
Long-term insurance contracts with fixed and guaranteed terms	21,019,057	17,545,844
Long-term insurance contracts without fixed and guaranteed terms	18,922,335	17,137,371
Long-term insurance contracts with fixed and guaranteed terms and with discretionary participation feature (DPF)	3,395,127	4,342,796
Premium revenue arising from insurance contracts issued	110,367,600	103,337,940
Premiums ceded for short-term and long-term contracts to reinsurers	(11,224,650)	(11,966,912)
	$99,142,950	$91,371,028

16. POLICYHOLDERS' BENEFITS

Policyholders' benefits for the year ended December 31, 2011 by insurance contracts were as follows:

	2011			2010		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Short-term insurance contracts	$47,085,870	$ (5,628,114)	$41,457,756	$44,161,163	$ (6,859,698)	$37,301,465
Long-term insurance contracts with fixed and guaranteed terms	6,886,312	(1,172,829)	5,713,483	7,778,674	(2,092,889)	5,685,785
Long-term insurance contracts without fixed and guaranteed terms	9,991,713	-	9,991,713	9,088,964	-	9,088,964
Long-term insurance contracts with fixed and guaranteed terms and with discretionary participation feature (DPF)	2,479,890	-	2,479,890	2,198,616	-	2,198,616
	$66,443,785	$ (6,800,943)	$59,642,842	$63,227,417	$ (8,952,587)	$54,274,830

17. OPERATING LEASES

The Group leases certain office premises under non-cancellable operating leases. Future minimum rental commitments as of December 31, 2011 are as follows:

	2011	2010
Up to 1 year	$ 1,621,367	$ 1,597,903
1 year to 5 years	-	30,000
	$ 1,621,367	$ 1,627,903

18. TAXATION

There are no corporate, income or capital gains taxes levied in The Bahamas and the Group, therefore, pays no taxes on its net income. However, taxes based on gross premium income, levied at 3%, for the year ended December 31, 2011 amounted to $2,896,506 (2010: $2,760,269) and is included within operating expenses in the consolidated statement of comprehensive income.

19. PENSION PLAN

The Group's pension costs net of forfeitures in respect to the Plan for the year ended December 31, 2011, amounted to $608,889 (2010: $331,771) and is included in operating expenses in the consolidated statement of comprehensive income.

20. COMMITMENTS

Outstanding commitments to extend credit under mortgage loan agreements amounted to $2,018,022 of December 31, 2011 (2010: $1,552,570).

21. RELATED PARTY TRANSACTIONS AND BALANCES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

The following are related party transactions not disclosed elsewhere in the consolidated financial statements:

Key management personnel compensation:

	2011	2010
Salaries and other short-term employee benefits	$ 1,714,330	$ 1,591,440
Post-employment benefits	42,705	45,855
	$ 1,757,035	$ 1,637,295

Directors' remuneration:

In 2011, the total remuneration of the directors was $352,981 (2010: $349,202).

The Group sponsors a plan as an on-going incentive system for its key employees. The plan holds shares of the parent company and these shares are awarded to the plan participants on an annual basis for services rendered in the previous year or as special awards for a promotion or upon hiring at the executive level. The Group makes cash awards as the need arises to the plan and the plan purchases the shares as needed on the open market at market value. The shares vest over a period of years, depending on the type of award granted.

Included in total loans are mortgages to related parties in the amount of $1,309,440 (2010: $1,308,675).

In addition to the above, the Group performed certain administrative services for Sagicor Life, for which a management fee of $132,000 (2010: $66,000) was charged and paid.

22. POST-RETIREMENT MEDICAL BENEFIT

The Group introduced a post-retirement medical plan on January 1, 1999 for employees who retire after that date. Cost sharing with participants varies with year of retirement and years of service to the Group. The Group's contributions will be provided, as premium payments are due, for retired participants.

The most recent actuarial valuation was carried out by TowerWatson. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

	Other Postemployment Benefits	
	2011	**2010**
Change in Defined Benefit Obligation (DBO)		
Benefit obligation, beginning of year	$ 423,464	$ 353,947
Current service cost	32,138	24,421
Interest cost	25,573	26,312
Actuarial loss	(741)	35,424
Gross benefits paid	(21,284)	(16,640)
Benefit obligation, end of year	$ 459,150	$ 423,464
Weighted-average assumptions used to determine defined benefit obligation at end of year:		
Discount rate	5.75%	5.75%
Medical cost trend rate	5.00%	5.00%

	Other Postemployment Benefits	
	2011	**2010**
Change in Plan Assets		
Fair value, beginning of year	$ -	$ -
Employer contribution	21,284	16,640
Plan participant's contribution	(21,284)	(16,640)
Fair value of plan assets, end of year	$ -	$ -

There are no assets associated with the Group's post retirement medical benefit plan.

(Continued)

Unfunded, Funded Status

The funded status at the end of the year, and the related amounts recognized in the statement of financial position is as follows:

	Other Postemployment Benefits	
	2011	2010
Unfunded, funded status, end of year		
Benefit obligation, unfunded plans	$ (459,150)	$ (423,464)
Unrecognized net actuarial loss	67,526	74,545
Net amount recognized, end of year	$ (391,624)	$ (348,919)

Amounts recognized in the statement of financial position consists of:

	2011	2010
Current liability	$ (21,284)	$ (16,640)
Noncurrent liability	(370,340)	(332,279)
	$ (391,624)	$ (348,919)

	Other Postemployment Benefits	
	2011	2010
Experience adjustments		
DBO, end of year	$ (459,150)	$ (423,464)
Unfunded, funded status	$ (459,150)	$ (423,464)

Expected employer contributions

The Group expects to contribute $21,284 to the other postretirement benefits plan in 2011. This is attributable to benefits expected to be paid from corporate assets.

(Continued)

	Other Postemployment Benefits					
	2011	2010	2009	2008	2007	2006
Components of benefit cost recognized in profit and loss						
Current service cost	$32,138	$24,421	$27,636	$25,708	$23,914	$22,246
Interest cost	25,573	26,312	25,039	22,040	19,385	17,040
Actuarial loss	6,278	-	1,525	1,658	2,424	4,234
Past service cost recognized	-	-	-	-	257	2,335
Net benefit cost in statement of comprehensive income	$63,989	$50,733	$54,200	$49,406	$45,980	$45,855
Weighted-average assumptions used to determine defined benefit obligation at end of year:						
Discount rate	5.75%	7.50%	7.50%	7.50%	7.50%	7.50%
Medical cost trend rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

(Concluded)

23. COMMITMENTS AND CONTINGENT LIABILITIES

The Group is a defendant in several legal actions arising in the normal course of its business affairs. Management believes that the resolution of these matters will not have a material impact on the Group's financial position.

The Group is contingently liable for $5,000 (2010: $5,000) in customs bonds and customs guarantees.

24. EARNINGS PER ORDINARY SHARE

	2011	2010
Weighted average number of ordinary shares outstanding	10,000,000	10,000,000
Consolidated net income attributable to ordinary shareholders	$ 4,555,886	$ 4,463,619
Earnings per ordinary share	$ 0.46	$ 0.45

25. BUSINESS SEGMENTS

The Group is organized into two main business segments; life insurance and health insurance. All other segments are deemed insignificant to the Group's operations.

The segment results for the period ended December 31 rounded to the nearest thousand are as follows:

	2011 ($000)		
	LIFE	HEALTH	TOTAL
INCOME			
Net premium income	$ 30,148	$ 54,315	$ 84,463
Annuity deposits	14,680	-	14,680
Investment income	9,973	489	10,462
Other income	350	442	792
Total income	55,151	55,246	110,397
POLICYHOLDER BENEFITS	34,301	38,075	72,376
EXPENSES	16,965	14,368	31,333
	51,266	52,443	103,709
NET INCOME	$ 3,885	$ 2,803	$ 6,688
TOTAL ASSETS	$ 192,991	$ 12,553	$ 205,544
TOTAL LIABILITIES	$ 147,340	$ 9,612	$ 156,952

(Continued)

	2010		
	($000)		
	LIFE	HEALTH	TOTAL
INCOME			
Net premium income	$ 28,270	$ 51,743	$ 80,013
Annuity deposits	11,358	-	11,358
Investment income	9,266	1,105	10,371
Other income	320	483	803
Total income	49,214	53,331	102,545
POLICYHOLDER BENEFITS	25,341	40,364	65,705
EXPENSES	17,495	13,727	31,222
	42,836	54,091	96,927
NET INCOME	$ 6,378	$ (760)	$ 5,618
TOTAL ASSETS	$ 164,766	$ 17,732	$ 182,498
TOTAL LIABILITIES	$ 124,086	$ 13,533	$ 137,619

(Concluded)

26. SUBSEQUENT EVENT

On February 17, 2012 the Board of Directors declared a fourth quarter dividend of $0.06 per share or $600,000 to shareholders of record as of February 29, 2012 and payable March 5, 2012.

27. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

Consolidated statement of financial position

i. Reserves for future policyholder benefits related to certain terminated Home Service life insurance and endowment policies were reclassified to other policyholder funds in the amount of $7,176,077.

There was no effect to the statement of comprehensive income as a result of these changes.

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