FAMGUARD
CORPORATION LIMITED

Annual Report 2007

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Norbert F. Boissiere
Chairman

Patricia A. Hermanns
President & Director

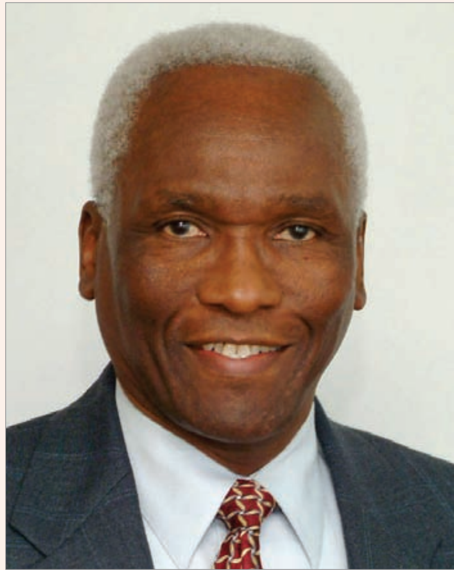
H. Charlotte Pyfrom
Director

A. Christine Woodman
Director

Dodridge D. Miller
Director

Sandra K. Osborne
Director

Sir William C. Allen, KCMG
Director



Gerald P. Strachan
Director

M. Craig Roberts
Director

Bennet R. Atkinson
Director

Walter A. Wells
Director

Dionisio J. D'Aguilar
Director

Dear Shareholder

I am very pleased to report that our Company achieved another successful year. Net income rose to $7.98 million, which is an increase of 31% over 2006.

Earnings per ordinary share stood at $0.73 up from last year's $0.54 per share.

The growth experienced over the last few years continued in 2007 resulting in an increase in premium revenue of 6.5% over the previous year. Our equities portfolio recorded an impressive capital appreciation of $2.3 million. However, even before the positive impact of our equities portfolio, our operating income showed an increase over prior year of 10.5%. Total assets grew by 11.5% to $161.1 million and total equity stands at $54 million.

In 2007, the Board of Directors declared and paid dividends of $0.18 per share and, as a result of our strong performance in 2007, declared a special dividend of $0.04 per share in December 2007. A further dividend of $0.06 per share was paid to shareholders on February 25, 2008 in respect of the final quarter of 2007 bringing total dividends in respect of fiscal year 2007 to $0.28 per share.

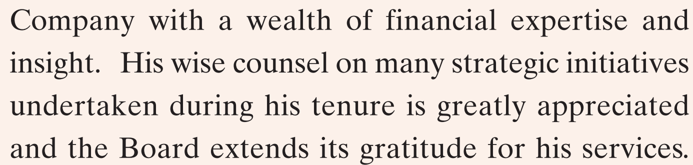
We continue to build on the strategic alliance formed with Sagicor Financial Corporation at the start of 2006. The installation of a new integrated general ledger system in 2007 is one of the major projects accomplished through our alliance and several other projects to enhance our technology are underway.

A significant initiative undertaken this year was the creation of two new subsidiary companies, FG Financial Limited and FG Capital Markets Limited to facilitate our entry into the pension, mutual funds and brokerage and advisory services markets. These companies were formed during the year and final regulatory approvals were received early in 2008 allowing for the full launch of the products in April 2008. Our entry into this aspect of the financial services market rounds out our wealth management product offerings and broadens our overall base.

At the end of 2006 we purchased the office building on East Bay and Church Streets to house our growing operations. Our financial services division moved to the third floor of this building during 2007, our group operations moved in at the end of December 2007 and our client services operations fully relocated there at the beginning of 2008. This new building also features a state-of-the-art training facility for the on-going development of our staff and agents. We are excited about the synergies that will be generated from the consolidation of a large part of our operations in one location and believe this will enhance our responsiveness and overall service to our clients.

I wish to advise that Sir William Allen will not seek re-election to the Board at the upcoming annual general meeting.

Sir William joined the Board in 2004 and provided the



Company with a wealth of financial expertise and insight. His wise counsel on many strategic initiatives undertaken during his tenure is greatly appreciated and the Board extends its gratitude for his services.

I also wish to record our sadness on the passing of former director, Mr. Vincent D'Aguilar in February 2008. Mr. D'Aguilar served on FamGuard's Board from 2003 until 2007. We record our appreciation for his contributions to the Company and indeed the entire country during his lifetime.

The performance achieved by the Company during 2007 was a result of the commitment and hard work of our management team, and our staff and agents. The Board of Directors joins me in expressing our thanks to the entire team for their dedication to achieving top results.

Finally, we extend our appreciation to our policyholders for allowing us to help you realize your financial goals and to our shareholders for your trust and support.

Norbert F. Boissiere
Chairman
FamGuard Corporation Limited

FAMILY GUARDIAN'S SENIOR MANAGEMENT

Front row from left to right:

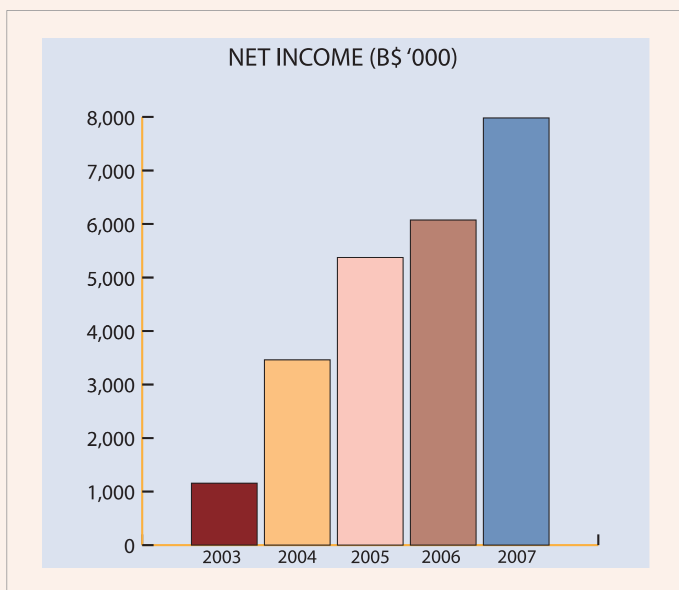
Lyrone C. Burrows, Vice President, Investments
Linda M. Jarrett, Vice President, Group Life & Health
Patricia A. Hermanns, President & CEO
Kerry I. Higgs, Senior Vice President, Administration
David G. Moncur, Vice President, Marketing, Home Service

Back row from left to right:

Michael A. Hanna, Vice President, Information Services
Fiona M. McLean, Corporate Secretary
Leonard N. Henderson, Marketing Consultant, Financial Services
Cecile B. Greene, Senior Vice President, Finance & Operations
Cardinal L. McCardy, Vice President, Pensions

In 2007, our Company continued its trend of strong profitability. Our net income as at December 2007 stood at $7.98 million and represents a 31.4% or $1.9 million increase over prior year-end.

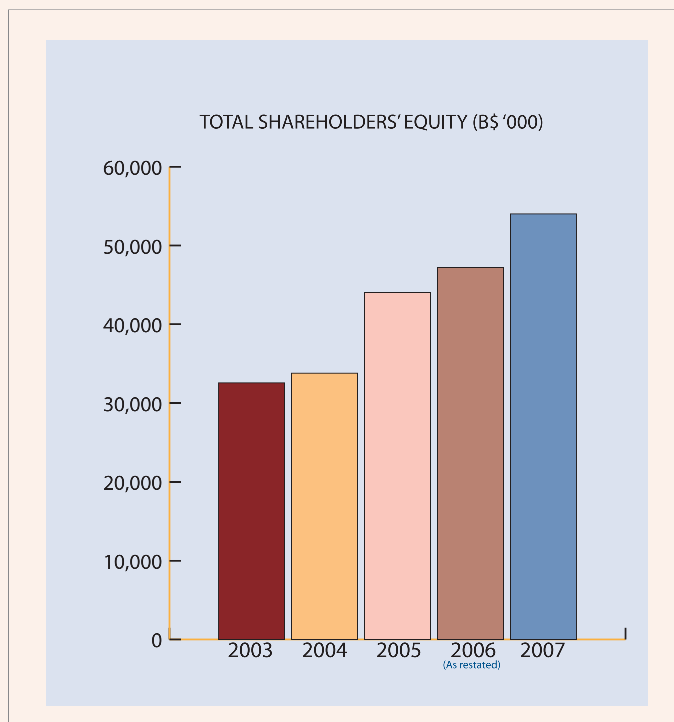
Net Income



Earnings per ordinary share increased by 35% to end the year at $0.73 compared to $0.54 at the end of 2006.

During the year we declared and paid dividends of $0.28 per share to ordinary shareholders for the fiscal year 2007 which represents 38.4% of net income attributable to ordinary shareholders compared to $0.24 or 44.4% of net income for the year 2006. We also paid $700,000 in dividends to preference shareholders during 2007. Total equity increased by $6.8 million or 14% to end the year at $54 million. Return on equity was recorded at 15.8%, up from 12.5% at the end of 2006.

Shareholders' Equity



Our Minimum Continuing Capital and Surplus Requirement (MCCSR) or solvency ratio stood at 217.9% compared to 220.9% recorded at prior year-end and reflects the company's strong capital base.

Again this year, A. M. Best, the international insurance rating agency, affirmed our A- (Excellent) rating.

Results of Operations

During 2007, our total income for the Company increased by 8.6% or $6 million over 2006 to end the year at $76 million. Gross premium revenue grew by 10.4% over the period ending the year at $63.9 million.

The strongest growth in new business was achieved in our group and individual health and ordinary life products during the year. In 2007, we saw a surge in sales in our group and individual health product line with annualized premium income from new accounts increasing by more than three times the level achieved in 2006. Sales of ordinary life policies were 11% ahead of 2006 continuing the pattern of growth experienced over the past five years.

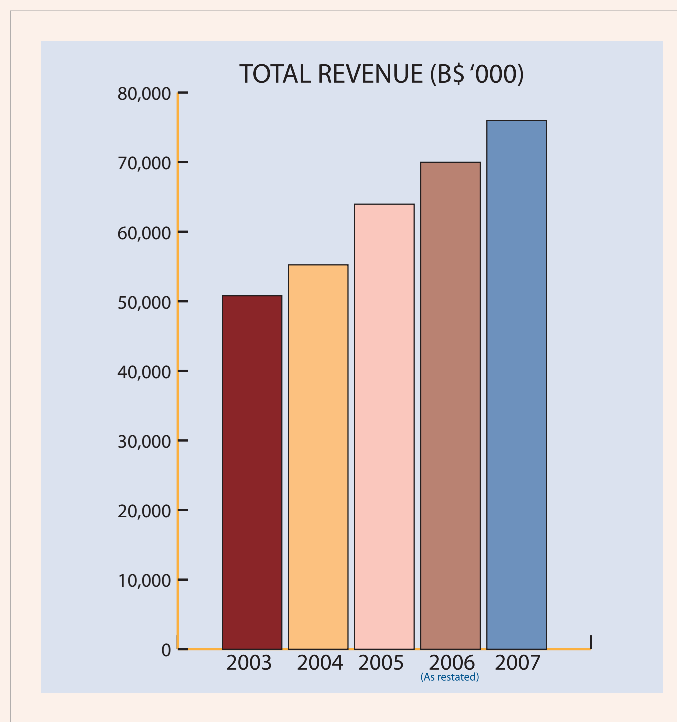
Our health claims experience stabilized during 2007 and actual claims paid fell marginally below the levels experienced in the prior year. This, coupled with our strong sales experience, notably improved the contribution from this product line to the Company's overall net income at year-end.

Investment income grew by 7.3% or $605 thousand over 2006 to end the year at $8.9 million. The Company realized a yield on investment assets before capital gains of 7.39%. During the year strong realized and unrealized gains of $2.6 million predominantly from BISX listed equities resulted in a yield on investment assets after capital gains of 9.49%. This compares very favourably with the capital gains increases of $1.2 million and investment yield after capital gains of 8.64% recorded in 2006.

During 2007, the Company relocated its Financial Services, BahamaHealth and operations divisions to our newly renovated office complex on East Bay and Church Streets and also took occupancy of additional office space in the Regent Centre in Freeport to accommodate our expanding sales force. In spite of this, operating expenses as a percentage of gross premium revenue declined marginally from 24.6% in 2006 to 24.5%. Total policyholder benefits increased by 4.6% over prior year but grew at a slower rate than the 6.6% growth in net premium revenue.

During the year, the Company changed its policy related to accounting for commitment fees paid on mortgage loans. This change resulted in the 2006 financial statements being restated to adjust for the impact of this change on prior periods. Also in 2007, we discovered an error in our 2006 financial statements whereby premium income was understated by $163,259. This resulted in premium income being restated for 2006.

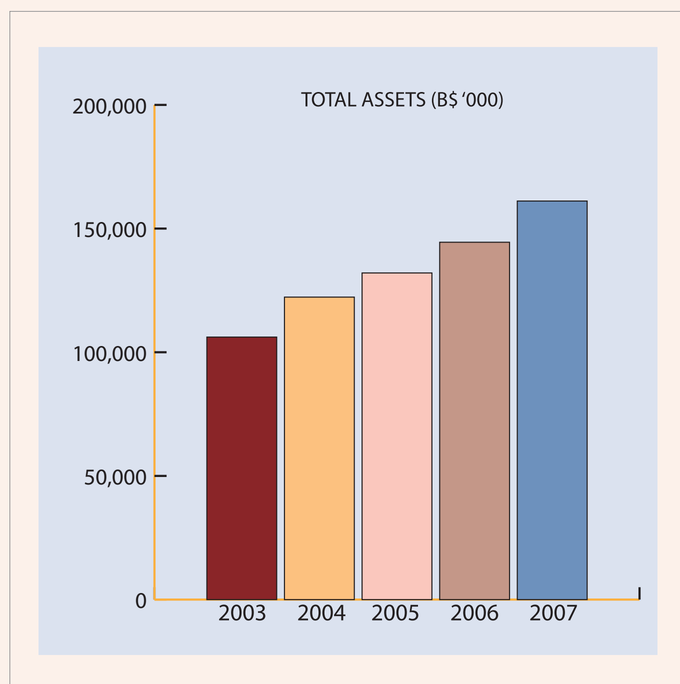
Total Revenue



Balance Sheet

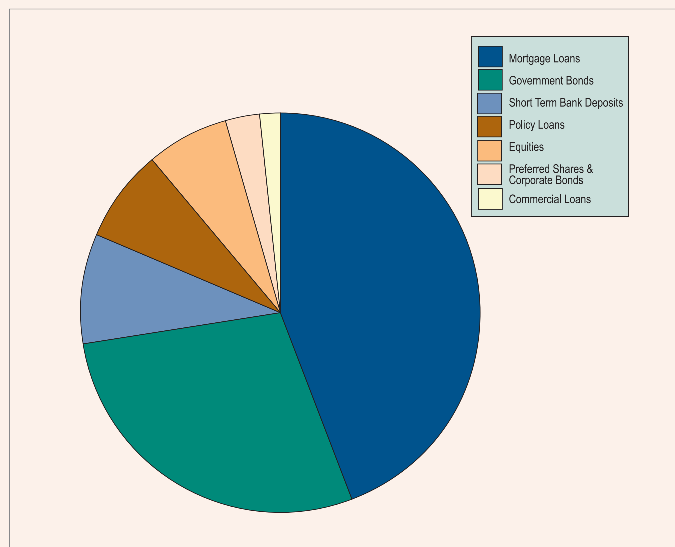
As at December 31, 2007 total assets stood at $161.1 million. This represented an increase of $16.7 million or 11.5% over prior year-end.

Total Assets



Investment assets grew by $12.2 million or 10.8% to end the year at $125.2 million. During the period, we increased our investments in government bonds by 17.1% to $39.1 million and our loan portfolio by 8.3% to $66.4 million. We also recorded an increase in equities due principally to capital appreciation.

Investment Assets



The company purchased the office complex at the corner of East Bay and Church Street at the end of 2006. We completed renovations at the end of 2007 relocating our Financial Services, BahamaHealth and client services operations to the first three floors of the building during the first quarter of 2008. The acquisition and renovations of that building less the sale of the Third Terrace West building resulted in an increase of $4.2 million or 16.8% in property, plant and equipment over 2006.

Human Resources

In May 2007, we promoted Cecile Greene to Senior Vice President, Finance and Operations. Mrs. Greene was previously Vice President of Finance, and now has overall responsibility for both the Operations and Finance departments, supervising the fiscal management and financial reporting of the Company, as well as all aspects of premium processing and policy-owner administration.

Cecile Greene

Kerry Higgs

In August 2007, Kerry Higgs, PhD was appointed to the position of Senior Vice President, Administration with responsibility for the overall provision of shared services at Family Guardian, comprising human resources and organizational planning, information technology services and facilities management. Dr. Higgs brings a wealth of experience in organizational planning, consulting, human resources and training, and administration in the commercial banking and government sectors.

Farewell

During the year, we said farewell to two of our valued and longstanding employees – Mrs. Anne Higgs and Ms. Sandra Knowles.

In September 2007, Mrs. Anne Higgs, Vice President of Human Resources and Public Relations, retired having served Family Guardian for twenty-five years. Mrs. Higgs made many outstanding contributions to the Company during those years in the recruitment of personnel, development of policies and procedures and spearheading our advertising campaigns and our annual calendar contest.

In October 2007, Ms. Sandra Knowles, Vice President, Operations, also retired from Family Guardian bringing to a close a career with the Company that spanned nearly 40 years. Ms. Knowles made significant contributions to the Company in the areas of company administration, home service operations and policy development and procedures.

We extend our appreciation to Mrs. Higgs and Ms. Knowles for their invaluable contributions to the Company.

Training

More than 18% of our administrative employees have passed the industry Fellow Life Management Institute (FLMI) exams. In 2007, Tamekia Stubbs attained this designation and attended the LOMA conferment ceremony in Quebec. Osmond Johnson successfully passed the Certified Life Underwriters examination and Cardinal McCardy completed the Series 7 designation.

Performance Awards

In our Home Service Division, we applaud the achievements of Bradley Pinder, District Manager of the Year; Austine Rolle, Staff Manager of the Year; Tewanda Davis, Agent of the Year; and Chantal Burrows, Rookie of the Year.

In the Financial Services Division, we congratulate Julie Adderley-McIntosh who received the Agency Manager's Presidential Leaders Award and Katina Roach, who was named Agent of the Year. In 2007, sixteen of our Financial Services agents qualified for the Million Dollar Round Table (MDRT). This represents more than 25% of our Financial Services agency force which is well above the international and local average. We congratulate this year's qualifiers: Julie Adderley-McIntosh, Jennifer Bain, Vernelle Butler, Ingrid Cambridge, Deborah Delancy, Charles Gaitor, Pamela Rolle-Hart, John Hepburn, Mary Laurenceau, Ann Marie Major, Judy Newchurch, Christine Rahming, Katina Roach, Ingrid Rose, Anna Wilson Smith and Julie Smith.

Gizelle Coakley, Client Services Representative, Operations, was selected for the Company's 2007 Above and Beyond Award in recognition of her outstanding customer service in the past year.

Community Involvement

Renewing our commitment to promote wellness not only among our client base but throughout the community, BahamaHealth held its second annual Slim-Down Challenge in October 2007. The aim of the programme is to raise awareness about the health implications of obesity and to encourage healthy lifestyles. For the second year, the Challenge received tremendous community support reflecting the growing interest from the wider community in health and wellness.

Our commitment to health was also reflected in our donation of $20,500 towards the purchase of a dialysis machine for the Princess Margaret Hospital in June 2007.

For the past 19 years we have provided scholarships to students attending the College of The Bahamas and this year we donated $25,000 reflecting our continuing commitment to the education of our nation's youth.

The Company has also made substantial contributions toward improvements in the environment with a five year pledge of $10,000 per year to the Bahamas National Trust for the development of Harrold and Wilson Ponds National Park. 2007 marked the third year of the pledge which runs until 2009.

For the past 21 years we have sponsored the annual Barracuda Swim Club's Swim Meet. We continue our support of the Cancer Society, AIDS Foundation and Red Rose Ball of Grand Bahama, Special Olympics and a number of other community and youth-based initiatives.

Conclusion

At the end of 2007, we began to formulate plans for the launch of new strategic initiatives in pension and mutual funds. These new product offerings have broadened our base and has positioned us for the new market thrust into wealth accumulation products.

While these initiatives are new for our Company, our commitment to quality will remain the bedrock of all that we undertake – quality products, quality service, quality people.

We extend our deep appreciation to our agents and employees for their tremendous contributions during the year.

Patricia A. Hermanns
President
FamGuard Corporation Limited

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http://www.deloitte.com.bs

Independent Auditor's 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 balance sheet as of December 31, 2007, and the consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The consolidated financial statements of the Group for the year ended December 31, 2006 were audited by another auditor, whose report dated March 19, 2007, expressed an unqualified opinion on those financial statements.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these 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 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 the Group as of December 31, 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

April 10, 2008

Eckler Ltd.
Consultants and 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 balance sheet at 31 December 2007 and the change in the statement of income for the year ended 31 December 2007 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

10 April 2008

CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2007

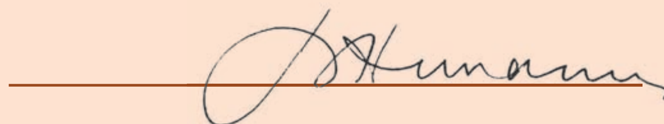
(EXPRESSED IN BAHAMIAN DOLLARS)

	2007 $	2006 (As restated) $
ASSETS		
Bank term deposits	11,102,604	11,428,178
Financial Investment Assets:		
Held-to-maturity (Note 6)	39,063,136	33,409,618
Fair value through profit and loss (Note 6)	8,561,549	6,843,481
Loans (Note 6)	66,445,062	61,327,954
Total investment assets	125,172,351	113,009,231
Cash and bank balances	2,809,496	1,658,798
Receivables and other assets (Note 7)	1,886,966	2,340,067
Premiums receivable	2,365,386	2,714,962
Property, plant and equipment, Net (Note 8)	28,900,750	24,749,093
TOTAL	161,134,949	144,472,151
LIABILITIES AND EQUITY		
LIABILITIES:		
Reserves for future policyholders' benefits (Note 9)	94,481,860	84,891,696
Other policyholders' funds (Note 10)	5,833,961	5,919,613
Policy liabilities	100,315,821	90,811,309
Payables and accruals (Note 11)	6,815,612	6,448,554
Total liabilities	107,131,433	97,259,863
EQUITY:		
Preference shares (Note 13)	10,000,000	10,000,000
Ordinary shares (Note 13)	2,000,000	2,000,000
Share premium	10,801,080	10,801,080
Revaluation surplus	7,361,959	5,082,619
Retained earnings	23,840,477	19,328,589
Total equity	54,003,516	47,212,288
TOTAL	161,134,949	144,472,151

See notes to consolidated financial statements

These consolidated financial statements were approved by the Board of Directors on April 10, 2008 and are signed on its behalf by:

Director



Director

CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 2007

(EXPRESSED IN BAHAMIAN DOLLARS)

	2007	2006 (As restated)
	$	$
INCOME:		
Gross premium income	63,901,842	57,883,888
Premium ceded to reinsurers (Note 14)	(4,408,545)	(3,618,000)
Net premium income	59,493,297	54,265,888
Annuity deposits	4,992,357	6,242,596
Net premium income and annuity deposits (Note 14)	64,485,654	60,508,484
Interest income	8,111,098	7,412,908
Dividend income	354,920	378,755
Change in unrealized appreciation on investments in equities (Note 6)	2,307,208	939,123
Realized gain from the sale of assets (Note 6)	294,503	228,525
Other operating income	450,573	519,626
Total income	76,003,956	69,987,421
BENEFITS AND EXPENSES:		
BENEFITS:		
Policyholders' benefits (Note 15)	32,438,519	32,234,776
Reinsurance recoveries (Note 15)	(2,131,767)	(2,774,405)
Net policyholders' benefits	30,306,752	29,460,371
Increase in reserves for future policyholders' benefits	9,351,226	8,460,563
Total benefits	39,657,978	37,920,934
EXPENSES:		
Commissions	11,633,835	10,727,734
Operating expenses (Notes 16, 17 and 19)	15,657,709	14,259,203
Depreciation and amortization expense (Note 8)	856,896	781,590
Interest expense	10,349	219,019
Bad debt expense	205,049	4,121
Total expenses	28,363,838	25,991,667
Total benefits and expenses	68,021,816	63,912,601
NET INCOME	7,982,140	6,074,820
NET INCOME ATTRIBUTABLE TO:		
Ordinary shareholders	7,282,140	5,374,820
Preferred shareholders	700,000	700,000
	7,982,140	6,074,820
Earnings per ordinary share (Note 24)	0.73	0.54

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2007

(EXPRESSED IN BAHAMIAN DOLLARS)

	Share Capital Preference Shares (Note 13) $	Share Capital Ordinary Shares (Note 13) $	Share Premium $	Revaluation Surplus $	Retained Earnings $	Total $
Balance as of January 1, 2006	10,000,000	2,000,000	10,801,080	5,136,072	16,108,882	44,046,034
Transfer from revaluation surplus	–	–	–	(53,453)	53,453	–
Net income for 2006, as restated	–	–	–	–	6,074,820	6,074,820
Prior period adjustments (Note 17)	–	–	–	–	(408,568)	(408,568)
Dividends declared and paid -						
preference shares	–	–	–	–	(700,000)	(700,000)
ordinary shares ($0.18 per share)	–	–	–	–	(1,800,000)	(1,800,000)
Balance as of December 31, 2006	10,000,000	2,000,000	10,801,080	5,082,619	19,328,587	47,212,286
Transfer from revaluation surplus	–	–	–	(29,750)	29,750	–
Transfer from revaluation surplus on sale of asset	–	–	–	(470,234)	–	(470,234)
Adjustment to appraised value of land and buildings	–	–	–	2,779,324	–	2,779,324
Net income for 2007	–	–	–	–	7,982,140	7,982,140
Dividends declared and paid -						
preference shares	–	–	–	–	(700,000)	(700,000)
ordinary shares ($0.28 per share)	–	–	–	–	(2,800,000)	(2,800,000)
Balance as of December 31, 2007	10,000,000	2,000,000	10,801,080	7,361,959	23,840,477	54,003,516

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2007

(EXPRESSED IN BAHAMIAN DOLLARS)

	2007	2006 (As restated)
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	7,982,140	6,074,820
Adjustments for:		
Depreciation and amortization (Note 8)	856,896	781,590
Change in unrealized appreciation on investments in equities (Note 6)	(2,307,208)	(939,123)
Realized gain from investments in equities (Note 6)	(222,160)	(228,525)
Loans written-off, net of recoveries	(16,993)	(70,000)
Change in mortgage/investment provision	91,368	(60,873)
Reserve for policyholders' benefits	9,590,164	8,372,918
Interest expense	–	219,019
Interest income	(8,111,098)	(7,412,908)
Dividend income	(354,920)	(378,755)
Operating profit before working capital changes	7,508,189	6,358,163
Decrease in receivables and other assets	576,696	1,162,556
Decrease (increase) in premiums receivable	349,576	(1,019,784)
Increase (decrease) in payables and accruals	367,057	(675,332)
(Decrease) increase in other policyholders' funds	(85,652)	936,153
Net cash from operating activities	8,715,866	6,761,756
CASH FLOWS FROM INVESTING ACTIVITIES:		
Policy loans	199,205	(279,605)
Proceeds from redemption of preferred shares	230,000	230,000
Purchase of property, plant and equipment (Note 8)	(267,984)	(6,527,532)
Proceeds from maturity of bank term deposits greater than three months	19,469,330	15,945,018
Maturity of Government bonds	600,000	43,100
Other loans repaid	293,193	–
Placement of bank term deposits greater than three months	(20,126,327)	(14,858,117)
Net mortgage loans issued	(3,752,962)	1,407,163
Purchase of preferred shares	(520,000)	(200,000)
Purchase of Government bonds	(5,606,600)	(8,561,300)
Purchase of equities (Note 6)	–	(212,940)
Purchase of corporate bonds	(250,000)	(2,000,000)
Construction in progress	(6,401,458)	–
Proceeds from sale of equities (Note 6)	811,300	873,400
Proceeds from sale of property, plant and equipment	1,984,394	–
Interest received	7,935,250	7,091,923
Dividends received	354,920	378,755
Net cash used in investing activities	(5,047,739)	(6,670,135)

Continued

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2007

(EXPRESSED IN BAHAMIAN DOLLARS)

	2007 $	2006 (As restated) $
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid on ordinary shares	(2,800,000)	(1,800,000)
Dividends paid on preferred shares	(700,000)	(700,000)
Interest paid	–	(11,503)
Net cash used in financing activities	(3,500,000)	(2,511,503)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	168,127	(2,419,882)
CASH AND CASH EQUIVALENTS:		
Beginning of year	2,967,164	5,387,046
End of year	3,135,291	2,967,164
CASH AND CASH EQUIVALENTS IS COMPRISED OF:		
Cash and bank balances	2,809,496	1,658,798
Short-term bank deposits	325,795	1,308,366
	3,135,291	2,967,164

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 three wholly owned subsidiaries; Family Guardian Insurance Company Limited (FG), BahamaHealth Insurance Brokers and Benefit Consultants Limited and FG General Insurance Agency (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 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, 2006.

At the date of authorisation of these consolidated financials statements the following standards and Interpretations that are relevant to the Group's operations were issued but not yet effective.

- IFRS 8 - Segment Reporting
- IAS 1 - Presentation of financial Statements
- IFRICS 7, 10, 11 and 12

Management anticipates that the adoption of the relevant Standards and Interpretations in future periods will have no material impact on the consolidated financial statements 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 Group has adopted accounting policies for the computation of reserves for future policyholder benefits on life insurance and annuity contracts which comply with the Canadian Asset Liability Method ("CALM"). As no specific guidance is provided by IFRS for computing reserves for future policyholder benefits, management has judged that CALM should continue to be applied. The adoption of IFRS 4 - Insurance Contracts, permits the Company to continue with this accounting policy.

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

3 Significant Accounting Policies (continued)

b. Basis of preparation (cont'd)

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 purchase 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 income statement.

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

d. 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.

e. Reserves for insurance contracts

The reserves for insurance contracts in force at the consolidated balance sheet 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.

3 Significant Accounting Policies (continued)

e. Reserves for insurance contracts (cont'd)

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.

f. 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 is 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 income statement 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 surplus account directly in equity, all other decreases are charged to the consolidated income statement. Each year the differences between depreciation based on the revalued carrying amount of the asset are charged to the consolidated income statement and depreciation based on the asset's original cost is transferred from the revaluation surplus account to retained earnings.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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 software and development costs	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 income statement. When revalued assets are sold, the amounts included in the revaluation surplus are transferred to retained earnings.

3 Significant Accounting Policies (continued)

f. Property, plant and equipment (cont'd)

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.

g. Financial investment assets:

The Group classifies its financial investment assets in the following categories; (i) held-to-maturity, (ii) at fair value through profit or loss 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) At fair value through profit or loss

A financial investment asset is classified as financial assets at fair value through profit or loss if acquired principally for the purpose of selling in the short-term or if so designated by management.

Investments in equities are classified as financial assets at fair value through profit or loss.

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 substantially remeasured 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. Realized and unrealized gains and losses arising from changes in the fair value of the investments in equities category are presented in the consolidated income statement in the period in which they arise.

(iii) Loans and receivables

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

Investments in government bonds, preferred shares and corporate bonds are classified as financial assets at amortized costs. 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.

3 Significant Accounting Policies (continued)

h. 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 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 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 an inherent provision for loan losses on current loans and specific provisions on certain non-current loans. Specific provisions are made on non-current loans for mortgage 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 loan 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 income statement. 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 income statement. Payments on loans past due are first applied to the interest outstanding. Accrued interest on non-current loans is excluded from interest income.

i. 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 balance sheet 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 income.

3 Significant Accounting Policies (continued)

j. Impairment of assets

The Group assesses at each consolidated balance sheet 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 objectively to an event occurring after the impairment was recognized, the previously recognized impairment is decreased and the decrease is recognized in the consolidated income statement.

k. Reinsurance transactions

In the normal course of its life 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 3t are classified as reinsurance contracts held. The Group retains a range of $25,000 to $110,000 (2006: $25,000 to $110,000) 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 balance sheet.

l. 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 and 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.

m. 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.

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 income statement 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

3 Significant Accounting Policies (continued)

o. Employee benefits - Pension obligations (cont'd)

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 income statement in the year to which they relate.

p. Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

q. 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 Company and held as treasury shares. There are no dilutive transactions that would have an impact to earnings per share.

r. Dividend distribution

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

s. 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 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 Company; 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.

t. 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 of 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.

3 Significant Accounting Policies (continued)

t. Insurance contracts - recognition and measurement (cont'd)

Premiums on these contracts are recognized as premium revenue proportionally over the period of coverage.
The portion of premium received on in-force contracts that relates to unexpired risks at the consolidated balance sheet date is reported as the unearned premium liability. Premiums are shown before deduction of commission.

Claims and loss adjustment expenses are recognized in the consolidated income statement 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 balance sheet 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 is 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 assumption.

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

3 Significant Accounting Policies (continued)

t. Insurance contracts - recognition and measurement (cont'd)

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 assumption.

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.

u. 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).

v. Segments

For the purposes of segment reporting, the products and services provided by the Company are subject to similar risks and returns. There are no distinguishable geographical segments, as the geographical areas in which the Company operates are considered to be of similar economic and political conditions and subject to the same risks and returns.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgments in applying the entity'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 results 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

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

c. Depreciation and amortization (cont'd)

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 discussions

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 an inherent provision on current loans and specific provision on non-current loans, based on the assessed value of the underlying collateral.

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 (investment assets, cash and bank balances, premiums receivable, receivables and other assets and accounts payable and accrued liabilities) at the balance sheet date were not materially different from their carrying values.

The fair values of investment assets, cash and bank balances, premiums receivable, receivables and other assets and accounts payable and accrued liabilities are not considered to be materially different from their carrying values due to their short-term nature.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (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 Company retains a range of $25,000 to $110,000 (2006: $25,000 to $110,000) coverage per individual life.

i. Long-term insurance contracts

- *Frequency and severity of claims*

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 rounded to the nearest thousand.

$	2007	2006
0 – 9,999	$ 124,198,000	$ 123,064,000
10,000 – 24,999	303,711,000	301,945,000
25,000 – 49,999	117,101,000	112,062,000
50,000 and over	828,440,000	732,877,000
	$ 1,373,450,000	$ 1,269,948,000

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

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 repricing that may be undertaken, which is monitored daily.

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).

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 where the Group is exposed to credit risk are:

- term deposits placed with banks
- mortgage loans and loans to policyholders
- reinsurers' share of insurance liabilities
- amounts due from reinsurers in respect of claims already paid
- 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.

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 A+.

f. Liquidity risk

The Group is exposed to daily calls on its available cash resources mainly from claims arising from short-term contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover maturities, claims and surrenders at unexpected levels of demand.

g. Interest rate risk

The Group manages this risk by attempting to retain a level of assets to liabilities with similar principal values,

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

g. Interest rate risk (cont'd)

interest rates and maturity dates.

The Group's exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows is reduced as the Group retains the right to change interest rates on most of its interest earning loan assets.

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.

6. FINANCIAL INVESTMENT ASSETS

Financial investment assets comprise the following:

	2007 $	2006 $
(a) Held-to-maturity:		
Bahamas Government bonds	27,677,500	25,170,900
Bridge Authority bonds	307,400	307,400
Education Loan Authority bonds	4,800,000	2,300,000
Clifton Heritage bonds	2,004,800	2,004,800
Government bonds, at cost	34,789,700	29,783,100
Add: Accrued interest receivable	588,672	481,273
	35,378,372	30,264,373
Redeemable preferred shares, at cost	1,410,000	1,120,000
Add: Accrued interest receivable	1,326	5,040
	1,411,326	1,125,040
Corporate bond, at cost	2,250,000	2,000,000
Add: Accrued interest receivable	23,438	20,205
	2,273,438	2,020,205
Total financial investment assets held-to-maturity	39,063,136	33,409,618
(b) Fair value through profit and loss:		
At beginning of year	6,843,481	6,336,293
Purchases	–	212,940
Sales proceeds	(811,300)	(873,400)
Realized gain from sale of equities	222,160	228,525
Change in unrealized appreciation in investment in equities	2,307,208	939,123
At end of year	8,561,549	6,843,481

Continued

6. FINANCIAL INVESTMENT ASSETS (continued)

	2007 $	2006 $
(c) Loans:		
(i) Policy loans comprise:		
Policy loans	6,959,211	6,791,863
Automatic premium loans	2,116,690	2,483,243
	9,075,901	9,275,106
Add: Accrued interest receivable	321,997	327,219
	9,397,898	9,602,325
(ii) Mortgage loans comprise:		
Commercial:		
Current	6,456,861	7,446,319
Over 90 days	1,710,072	1,095,110
Residential:		
Current	45,370,925	42,367,261
Over 90 days	2,464,982	1,341,188
	56,002,840	52,249,878
Less: Provision for inherent risk	(831,851)	(777,363)
Specific provision for credit risk	(100,598)	(80,711)
	55,070,391	51,391,804
Add: Accrued interest receivable	269,969	333,825
	55,340,360	51,725,629
(iii) Other loan	1,706,804	–
Total loans	66,445,062	61,327,954

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

Policy loans and automatic premium loans (APLs) are allowed on Ordinary Life policies. An interest rate ranging from 10% to 11% (2006: 10% to 11%) per annum is charged on policy loans and APLs.

The provision for inherent risk is calculated on total mortgage loans except for the loan to the parent company, which is deemed to be fully collectible.

Continued

6. FINANCIAL INVESTMENT ASSETS (continued)

Other receivables written off that were not provided for were $113,681 (2006: $67,726).
Movements in loan loss provisions are as follows:

	Provision for Inherent risk	Specific Provision for Credit risk
	$	$
Balance as of January 1, 2006	791,947	197,000
Decrease in provision	(14,584)	(46,289)
Loans written-off	–	(70,000)
Balance as of December 31, 2006	777,363	80,711
Increase in provision	54,488	36,880
Loans written-off	–	(16,993)
Balance as of December 31, 2007	831,851	100,598

An interest rate of 6.5% per annum (2006: 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, 2007 is $122,947 (2006: $143,711) and related party interest receivable on mortgages as of December 31, 2007 is $6,265 (2006: $6,261).

As of December 31, 2007, the Group had non-performing mortgage loans of $4,175,054 (2006: $2,436,298) for which interest of $603,930 (2006: $436,282) had not been recognized on the consolidated income statement.

7. RECEIVABLES AND OTHER ASSETS

Receivables and other assets comprise:

	2007	2006
	$	$
Accrued interest receivable - bank term deposits	317,011	177,933
Reinsurance recoveries	709,841	1,290,841
Utility deposits	84,821	42,560
Other receivables and other assets	775,293	828,733
	1,886,966	2,340,067

Reinsurance recoveries are in respect of claims already paid by the Group. All receivables noted above are due within twelve months.

8. PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment for the year is as follows:

	Freehold Land	Freehold Buildings	Furniture & Eqiupment	Motor Vehicles	Computer Hardware & Software	Leasehold Improvements	Construction in Progress	Total
2007								
	$	$	$	$	$	$	$	$
Year ended December 31, 2007								
Opening net book amount	6,604,966	16,101,389	881,489	24,628	911,140	225,481	–	24,749,093
Additions	–	5,774	77,742	–	163,918	20,550	–	267,984
Construction in progress	–	–	–	–	–	–	6,401,458	6,401,458
Disposals	(1,415,500)	(2,964,876)	(59,837)	–	–	–	–	(4,440,213)
Depreciation charge	–	(326,626)	(178,659)	(6,717)	(233,266)	(111,628)	–	(856,896)
Revaluation surplus	1,932,160	847,164	–	–	–	–	–	2,779,324
Closing net book amount	**7,121,626**	**13,662,825**	**720,735**	**17,911**	**841,792**	**134,403**	**6,401,458**	**28,900,750**
As of December 31, 2007								
Cost or revaluation	7,121,626	13,748,754	1,340,208	26,867	1,424,334	512,263	–	24,174,052
Construction in progress	–	–	–	–	–	–	6,401,458	6,401,458
Accumulated depreciation	–	(85,929)	(619,473)	(8,956)	(582,542)	(377,860)	–	(1,674,760)
Net book amount	**7,121,626**	**13,662,825**	**720,735**	**17,911**	**841,792**	**134,403**	**6,401,458**	**28,900,750**
2006								
Year ended December 31, 2006								
Opening net book amount	5,754,966	11,329,781	984,625	–	750,988	182,791	–	19,003,151
Additions	850,000	5,108,595	107,204	26,867	328,466	106,400	–	6,527,532
Depreciation charge	–	(283,534)	(210,340)	(2,239)	(168,313)	(63,711)	–	(728,137)
Depreciation on the revalued portion of freehold buildings	–	(53,453)	–	–	–	–	–	(53,453)
Closing net book amount	**6,604,966**	**16,101,389**	**881,489**	**24,628**	**911,141**	**225,480**	**–**	**24,749,093**
As of December 31, 2006								
Cost or revaluation	6,604,966	17,037,965	1,494,623	26,867	2,177,852	484,617	–	27,826,890
Accumulated depreciation	–	(883,123)	(613,134)	(2,239)	(1,266,711)	(259,137)	–	(3,024,344)
Depreciation on the revalued portion of freehold buildings	–	(53,453)	–	–	–	–	–	(53,453)
Net book amount	**6,604,966**	**16,101,389**	**881,489**	**24,628**	**911,141**	**225,480**	**–**	**24,749,093**

8. PROPERTY, PLANT AND EQUIPMENT (continued)

Freehold land and buildings each include a revaluation surplus of $4,826,811 (2006: $3,144,651) and $2,535,148 (2006: $1,937,968), respectively. During the year, the Group wrote-off cost and accumulated depreciation relating to fully depreciated computer equipment, furniture and equipment and leasehold improvements of $191,373 (2006: $61,375), $2,970 (2006: $43,956) and $Nil (2006: $30,095), respectively.

During 2007, the Group sold one of its buildings for a price of $4,500,000 and realized a gain on sale of $46,955.

9. RESERVES FOR FUTURE POLICYHOLDERS' BENEFITS

The Canadian Asset Liability Method (CALM) is used for the determination of reserves for future policyholder benefits of long-term insurance contracts.

As of December 31, 2007 the aggregate reserves for future policyholders' benefits and related life insurance in force are summarized as follows:

	Reserves		Insurance in force	
	2007	2006	2007	2006
	$	$	$	$
Ordinary life	27,032,157	23,623,279	1,712,255,630	1,489,149,873
Annuities	34,654,578	31,555,557	–	–
Home service life	27,606,045	25,434,201	491,649,136	483,179,145
Accident and Health	5,189,080	4,278,659	105,677,752	102,192,883
	94,481,860	**84,891,696**	**2,309,582,518**	**2,074,521,901**

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.

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

9. RESERVES FOR FUTURE POLICYHOLDERS' BENEFITS (continued)

(i) Mortality and Morbidity

Assumptions for Home service life business are based on Company 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 $3,351,420 (2006: $3,128,952) or decrease by $3,357,316 (2006: $3,136,688).

(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 $12,874,056 (2006: 11,388,448) or decrease by $9,096,952 (2006: $8,010,992).

(iii) Persistency

Lapse rates are based on Group's experience where credible experience is available and industry experience is used where credible Company 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 $849,420 (2006: $927,368) or decrease by $941,820 (2006: $1,018,016).

(iv) Expenses

Expenses are based on best estimates of Company experience. Expenses are increased 10% as a margin for adverse deviation. Expenses are assumed to increase with inflation of 3% in 2006 decreasing to 2% in 2026 and later. If future expenses were to differ by 10% from that assumed, the liability would increase by $2,991,504 (2006: $2,834,544) or decrease by $2,947,336 (2006: $2,789,336).

(v) Ongoing Review

Actuarial assumptions are continuously reviewed based on emerging Company 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.

9. RESERVES FOR FUTURE POLICYHOLDERS' BENEFITS (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:*

	2007 $	2006 $
Liabilities at beginning of year	4,278,659	4,132,552
Changes in data, Methods, and Assumptions	212,453	–
Usual change in In-Force Business and New Business	697,968	146,107
Liabilities at end of year	5,189,080	4,278,659

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

	2007 $	2006 $
Liabilities at beginning of year	37,506,079	33,923,847
Changes in Data, Methods, and Assumptions	(141,281)	(652,986)
New Business	(2,423,956)	(1,430,937)
Usual change in In-Force Business	5,479,108	5,666,155
Liabilities at end of year	40,419,950	37,506,079

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

	2007 $	2006 $
Liabilities at beginning of year	30,115,274	26,366,583
Changes in Data, Methods, and Assumptions	306,572	–
New Business	(102,083)	84,641
Usual change in In-Force Business	4,536,561	3,664,050
Liabilities at end of year	34,856,324	30,115,274

9. RESERVES FOR FUTURE POLICYHOLDERS' BENEFITS (continued)

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

	2007	2006
	$	$
Liabilities at beginning of year	12,991,686	12,095,796
Changes in Data, Methods, and Assumptions	84,227	–
New Business	(605,292)	(807,679)
Usual change in In-Force Business	1,545,887	1,703,569
Liabilities at end of year	14,016,508	12,991,686

Total for all lines of business

	2007	2006
	$	$
Liabilities at beginning of year	84,891,696	76,518,778
Changes in Data, Methods, and Assumptions	461,971	(652,986)
New Business	(3,131,331)	(2,153,975)
Usual change in In-Force Business	12,259,524	11,179,879
Liabilities at end of year	94,481,860	84,891,696

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, 2007 was $491,563 (2006: $478,525) and is included in the payables and accruals in the consolidated balance sheet.

12. BANK OVERDRAFT FACILITIES

The Company has bank overdraft facilities of $750,000 (2006: $750,000). Amounts utilized under the facilities attract interest at Nassau prime plus 1.5%.

13. SHARE CAPITAL

The Company'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	
	2007	2006	2007	2006
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

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 Company 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 Company's ordinary shares and (2) subordinate to any debentures, debt obligations, or policyholder claims currently or which the Company 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.

14. NET PREMIUM INCOME AND ANNUITY DEPOSITS

Net premium income and annuity deposits are comprised of:

	2007	2006
	$	$
Short-term insurance contracts	38,271,049	33,635,120
Long-term insurance contracts with fixed and guaranteed terms	16,852,255	15,833,378
Long-term insurance contracts without fixed and guaranteed terms	10,535,423	9,846,729
Long-term insurance contracts with fixed and guaranteed terms and with discretionary participation feature (DPF)	3,770,476	3,759,002
Change in premium receivables	(500,480)	1,049,344
Change in unearned premium provisions	(34,524)	2,911
Premium revenue arising from insurance contracts issued	68,894,199	64,126,484
Premiums ceded for short-term and long-term contracts to reinsurers	(4,408,545)	(3,618,000)
	64,485,654	60,508,484

15. POLICYHOLDERS' BENEFITS

Policyholders' benefits for the year ended December 31, 2007 by insurance contracts were as follows:

	2007			2006		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$	$	$	$	$	$
Short-term insurance contracts	18,515,799	(421,624)	18,094,175	19,923,679	(1,682,823)	18,240,856
Long-term insurance contracts with fixed and guaranteed terms	6,870,327	(1,710,143)	5,160,184	5,725,788	(586,528)	5,139,260
Long-term insurance contracts without fixed and guaranteed terms	4,820,300	–	4,820,300	4,115,183	(181,917)	3,933,266
Long-term insurance contracts with fixed and guaranteed terms and with discretionary participation feature (DPF)	2,232,093	–	2,232,093	2,470,126	(323,137)	2,146,989
	32,438,519	(2,131,767)	30,306,752	32,234,776	(2,774,405)	29,460,371

16. OPERATING LEASES

The Group leases certain office premises under non-cancellable operating leases. Future minimum rental commitments as of December 31, 2007 are as follows:

	2007	2006
	$	$
Up to 1 year	226,396	280,630
1 year to 5 years	256,133	382,840
	482,529	663,470

17. PRIOR PERIOD ADJUSTMENTS

a. Commitment fees

During the year, the Group changed its accounting policy on the recognition of commitment fees paid on mortgage loans to comply with the provisions of IAS 18, Revenue, as in prior periods, these fees were recognised on a cash basis. The Group now defers such fees and recognizes them over the life of the loan. The incremental costs associated with such loans are negligible, and as such are not taken into account in determining the effective interest rate of the loan. This change in accounting policy has been applied retrospectively, and as a result, comparative information has been amended as if the new accounting policy had always been applied. The Group's prior period earnings and consolidated financial statements have been restated, in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8").

b. Premiums receivable

During 2006 an error occurred between the Group's premium income account and the self-funded account resulting in premium income being understated by $163,259 and the liability account being overstated by the same amount. The Group's prior period earnings and consolidated financial statements have been restated in accordance with IAS 8.

17. PRIOR PERIOD ADJUSTMENTS (continued)

The following is a summary of the restatements:

	Effect on 2007 $	Effect on 2006 $
Impact on balance sheet:		
Increase in other liabilities (deferred income)	25,642	412,919
Decrease in accounts payable and accruals	–	(163,259)
Decrease in opening retained earnings	–	(408,568)
Impact on income statement:		
Increase in premium income	–	163,259
Decrease in fees	(25,642)	(4,353)
(Decrease) increase in net income	(25,642)	158,908
Impact on earnings per share:		
Earnings per share, as previously reported		0.52
Earnings per share, as restated		0.55

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 premium income, levied at 3%, for the year ended December 31, 2007 amounted to $1,919,430 (2006: $1,725,146) and is included within operating expenses in the consolidated income statement.

17. PENSION PLAN

The Group's pension costs net of forfeitures in respect to the Plan for the year ended December 31, 2007 amounted to $237,775 (2006: $442,318) and is included in operating expenses in the consolidated income statement.

20. COMMITMENTS

Outstanding commitments to extend credit under mortgage loan agreements amounted to $3,858,604 as of December 31, 2007 (2006: $4,947,187).

21. RELATED PARTY TRANSACTIONS AND BALANCES

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

Key management personnel compensation:

	2007 $	2006 $
Salaries and other short-term employee benefits	1,485,453	1,360,246
Post-employment benefits	73,753	85,158
Share-based payments	162,500	170,084
	1,721,706	1,615,488

Directors' remuneration:

A listing of the members of the Board of Directors is shown on page 4 of the Annual Report.

In 2007, the total remuneration of the directors was $341,119 (2006: $188,000).

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 $1,847,874 (2006: $1,952,893).

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.

	2007 $	2006 $
Amount recognized in balance sheet		
Present value of unfunded obligations	272,914	239,310
Unrecognized past service cost	–	(257)
Unrecognized actuarial gains (losses)	(36,802)	(37,834)
Net liability in balance sheet	236,112	201,219
Amount recognized in the statement of income		
Current service cost	23,914	22,246
Interest on obligation	19,385	17,040
Amortization of prior service costs for non-vested benefits	257	2,335
Net actuarial loss recognized	2,424	4,234
Total expense recognized	45,980	45,855
Change in amount recognized in the balance sheet		
Net balance sheet liability at beginning of year	201,219	161,871
Net expense recognized	45,980	45,855
Company contributions	(11,087)	(6,507)
Net balance sheet liability at end of year	236,112	201,219

A discount rate of 7.5% for 2007 and 2006 is assumed.

23. 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.

24. EARNINGS PER ORDINARY SHARE

	2007	2006
Weighted average number of ordinary shares outstanding	10,000,000	10,000,000
Consolidated net income attributable to ordinary shareholders	$ 7,282,140	$ 5,374,820
Earnings per ordinary share	$ 0.73	$ 0.54

25. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Mortgages, policy loans, corporate bond, preferred shares and Bahamas Government bonds are classified as loans and receivables and are carried at cost, less any necessary provision for impairment in value. The carrying values of these assets approximate their fair value as the majority of these assets bear interest at variable rates.

Financial assets at fair value through profit or loss are carried at fair value.

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Yellow Elder District
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Freeport
Home Service District Office
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242.352.7233

Abaco Sales Office
Memorial Plaza
P. O. Box AB 20901, Marsh Harbour, Abaco
242.367.3264

Eleuthera Sales Office
Bay Front Plaza
P. O. Box EL 89, Governor's Harbour, Eleuthera
242.332.2258

Investments Department - Mortgages
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FG Capital Markets - Brokerage & Advisory Services
Corporate Office, East Bay & Shirley Streets
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FG Financial - Pensions
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OFFICES & RESIDENT REPRESENTATIVES IN THE BAHAMAS

Corporate Office
East Bay & Shirley Street
- Offices of the Chairman and the President & CEO
- Administration
- Accounts
- Home Service Management
- Investments - Mortgages
- Capital Markets
- Pensions

Financial Centre
East Bay & Church Streets
- Operations – Premium Processing, Claims, Client Services and Underwriting
- BahamaHealth Insurance Brokers and Benefit Consultants Limited
- Financial Services – Ordinary Life & Annuities

Nassau District Offices
- Marathon – Home Service District Offices
- Chippingham – Home Service District Offices
- Carmichael – Home Service District Offices
- Yellow Elder – Home Service District Offices

Freeport Sales Office
- Home Service District
- Financial Services – Ordinary Life & Annuities, and Mortgages Offices

Abaco Home Service Sales Office
Eleuthera Home Service Sales Office
Exuma Home Service Sales Office – coming in 2008

ADVISORS & CONSULTANTS

Legal Advisors

E. Dawson Roberts & Company
Graham, Thompson & Company

Registrar & Transfer Agent

Fidelity Share Registrars & Transfer Agents Ltd.

Auditors

Deloitte & Touche

Principal Bankers

FirstCaribbean International Bank (Bahamas)
Royal Bank of Canada

Reinsurers

Munich Reinsurance Company
Toronto, Ontario, Canada

ING Re-ReliaStar Life Insurance Co.
Minneapolis, MN, USA

Lloyds of London
Syndicate 2987, London, England

Swiss Re Life & Health Canada
Toronto, Ontario, Canada

Reliance Standard Life Insurance Company
South Portland, ME, USA

Actuarial Consultants

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David E. Norton, FSA Health Care Consultant
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