BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

Financial Statements For The Year Ended December 31, 2007 and Independent Auditors' Report

Deloitte.

BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of
Bahamas First General Insurance Company Limited:

We have audited the financial statements of Bahamas First General Insurance Company Limited (the "Company") which comprise the balance sheet as of December 31, 2007, and the related 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.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company 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.

Deloitte & Touche

June 12, 2008

BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

BALANCE SHEET
AS OF DECEMBER 31, 2007
(Expressed in Bahamian dollars)

		2007	2006
ASSETS	**Notes**		
Cash	5	$ 6,813,378	$ 5,206,247
Term deposits	6	3,479,529	3,304,799
Investments	7	21,265,010	12,306,410
Trade accounts receivable	8, 18	20,742,672	17,762,546
Sundry receivables and prepayments		748,746	668,901
Receivable from reinsurers		235,213	241,436
Interest receivable		91,331	83,955
Deferred commission costs	9	7,009,654	6,429,735
Unpaid claims recoverable from reinsurers	10	10,670,394	13,583,172
Deferred reinsurance premiums	9	26,827,559	26,290,026
Deferred reinsurance cost	9	4,035,334	4,614,739
Receivables from related companies		23,293,948	14,262,134
Property and equipment	11	2,044,192	1,889,006
Intangible asset	12	2,692,559	2,692,559
		$ 129,949,519	$ 109,335,665

(Continued)

See notes to financial statements.

BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

BALANCE SHEET
AS OF DECEMBER 31, 2007
(Expressed in Bahamian dollars)

	Notes	2007	2006
LIABILITIES AND EQUITY			
LIABILITIES:			
Payable to reinsurers		$ 14,225,843	$ 12,338,296
Unearned commission income	9	5,839,199	5,695,861
Unearned premiums	9	42,686,985	39,733,058
Payable to agents and brokers		466,983	336,492
Accrued liabilities		1,462,020	1,272,587
Unpaid claims	10	19,352,292	21,441,913
		84,033,322	80,818,207
EQUITY:			
Share capital	13	7,500,000	2,500,000
Contributed surplus		14,100,000	14,100,000
General reserve	14	3,500,000	3,500,000
Revaluation surplus	15	1,269,268	1,079,779
Retained earnings		19,546,929	7,337,679
Total equity		45,916,197	28,517,458
TOTAL		$ 129,949,519	$ 109,335,665

(Concluded)

See notes to financial statements.

These financial statements were approved by the Board of Directors on June 12, 2008 and are signed on its behalf by:

Director

Director

BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

BALANCE SHEET
AS OF DECEMBER 31, 2007
(Expressed in Bahamian dollars)

LIABILITIES AND EQUITY	**Notes**	**2007**	**2006**
LIABILITIES:			
Payable to reinsurers		$ 14,225,843	$ 12,338,296
Unearned commission income	9	5,839,199	5,695,861
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(Concluded)

See notes to financial statements.

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Director

Director

BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2007
(Expressed in Bahamian dollars)

	Notes	2007	2006
UNDERWRITING INCOME:			
Gross premiums written	18	$104,391,461	$ 98,530,049
Movement in unearned premiums	9	(2,953,927)	(2,323,788)
		101,437,534	96,206,261
Premiums ceded to reinsurers		(65,754,616)	(64,101,210)
Movement in deferred reinsurance premiums	9	537,533	791,632
Net premiums earned		36,220,451	32,896,683
Commission income from reinsurers		15,345,442	13,935,692
Total underwriting income		51,565,893	46,832,375
UNDERWRITING EXPENSES:			
Net claims incurred	10	7,158,997	7,464,569
Commission expense	18	18,783,743	16,997,355
Cost of excess of loss reinsurance		16,500,715	16,533,733
Premium tax		3,016,530	2,871,483
Total underwriting expenses		45,459,985	43,867,140
Net underwriting income		6,105,908	2,965,235
OTHER INCOME	16, 18	1,330,851	1,056,444
REALIZED GAIN ON INVESTMENT		-	177,790
UNREALIZED GAIN ON INVESTMENTS		8,958,600	1,427,865
Total income		16,395,359	5,627,334
OTHER EXPENSES:			
Salaries, benefits and bonuses	17, 18	1,801,249	1,553,792
General and administrative expenses		1,354,461	1,472,562
Management fees	18	956,699	1,047,394
Depreciation and amortisation	11	73,700	62,554
Total other expenses		4,186,109	4,136,302
NET INCOME		$ 12,209,250	$ 1,491,032

See notes to financial statements.

BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2007
(Expressed in Bahamian dollars)

	Share Capital	Contributed Surplus	General Reserve	Revaluation Surplus	Retained Earnings	Total
Balance at December 31, 2005	$2,000,000	$ 4,600,000	$3,500,000	$1,079,779	$ 5,846,647	$17,026,426
Shares issued (Note 13)	500,000	9,500,000	-	-	-	10,000,000
Net income	-	-	-	-	1,491,032	1,491,032
Balance at December 31, 2006	2,500,000	14,100,000	3,500,000	1,079,779	7,337,679	28,517,458
Shares issued (Note 13)	5,000,000	-	-	-	-	5,000,000
Net increase (Note 15)	-	-	-	189,489	-	189,489
Net income	-	-	-	-	12,209,250	12,209,250
Balance at December 31, 2007	$7,500,000	$14,100,000	$3,500,000	$1,269,268	$19,546,929	$45,916,197

See notes to financial statements.

BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2007
(Expressed in Bahamian dollars)

	Notes	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income		$ 12,209,250	$ 1,491,032
Adjustments for:			
Depreciation and amortization	11	73,700	62,554
Unrealised gains on investments		(8,958,600)	(1,427,865)
Gain on sale of investments		-	(177,790)
Loss on disposal of property and equipment		172	1,886
Net income (loss) from operations		3,324,522	(50,183)
(Increase) decrease in receivable from agents and brokers		(2,980,126)	543,916
Decrease in receivable from reinsurers		6,223	405,708
Increase in interest receivable		(7,376)	(28,057)
Increase in receivable from related company		(9,031,814)	(5,721,563)
Increase in sundry receivables and prepayments		(79,845)	(137,113)
Increase in deferred commission costs		(579,919)	(393,322)
Increase (decrease) in net unpaid claims		823,157	(505,167)
Increase in deferred reinsurance premiums		(537,533)	(1,353,415)
Increase (decrease) in deferred reinsurance cost		579,405	(581,118)
Increase in unearned commission income		143,338	488,316
Increase in unearned premiums		2,953,927	2,323,788
Increase in payable to reinsurers		1,887,547	4,394,460
Increase in payables to agents and brokers		130,491	206,012
Increase in accrued liabilities		189,433	579,380
Net cash (used in) from operating activities		(3,178,570)	171,642
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	11	(39,569)	(14,399)
Intangible asset on acquisition of insurance portfolio		-	(636,716)
Purchase of investments		-	(3,705,570)
Proceeds from disposals of investments		-	1,427,790
Decrease (increase) in term deposits maturing after ninety days		997,773	(68,113)
Net cash used in investing activities		958,204	(2,997,008)

(Continued)

See notes to financial statements.

BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2007
(Expressed in Bahamian dollars)

	Notes	2007	2006
CASH FLOWS FROM FINANCING ACTIVITY:			
Proceeds from issue of shares		$ 5,000,000	$ 10,000,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,779,634	7,174,634
CASH AND CASH EQUIVALENTS:			
BEGINNING OF YEAR		6,395,216	(779,418)
END OF YEAR		$ 9,174,850	$ 6,395,216
CASH AND CASH EQUIVALENTS IS COMPRISED OF:			
Cash	5	$ 6,813,378	$ 5,206,247
Term deposits maturing within ninety days	6	2,361,472	1,188,969
		$ 9,174,850	$ 6,395,216
SUPPLEMENTAL CASH FLOW DISCLOSURE:			
Interest received		$ 229,315	$ 90,963
Interest paid		$ 83,464	$ 190,586

(Concluded)

See notes to financial statements.

1. GENERAL

Bahamas First General Insurance Company Limited (the "Company") was incorporated on September 8, 1982 under the laws of the Commonwealth of The Bahamas. Effective January 1, 1998 the Company became a wholly-owned subsidiary of Bahamas First Holdings Limited ("BFH"). It is registered to carry on general insurance business. Three of BFH's subsidiaries, Nassau Underwriters Agency Insurance and Agents Brokers Ltd. ("NUA"), Moseley Burnside Insurance Agency Limited ("MBI") and Carib Insurance Agency Limited ("CIA"), act as insurance agents for the Company.

The Company, BFH and the other subsidiaries of BFH are hereinafter collectively referred to in these financial statements as the "Group". All of the Group companies are incorporated in The Bahamas.

The registered office of the Company is located at 32 Collins Avenue, Nassau, Bahamas.

2. ADOPTION OF NEW AND REVISED STANDARDS

Standards and Interpretations effective in the current period

In the current year, the Company has adopted IFRS 7 Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after January 1, 2007, and the consequential amendments to IAS 1 Presentation of Financial Statements. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital.

At the date of authorisation of these financials statements, the IASB has issued IFRIC 12-14, IAS 1 (revised), IAS 23 and 27 and IFRS 2, 3 and 8, which are not yet effective.

Management anticipates that the relevant adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards. The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The following is a summary of the significant accounting policies:

a. ***Basis of preparation*** - These financial statements have been prepared on the accrual basis and under the historical cost convention, except for investments carried at fair value through profit or loss and land and buildings which are revalued every three years.

   The accounting policies are consistent with those used in previous years.

b. ***Financial instruments:***

   Classification and measurement - On initial recognition a financial asset or liability is measured at its fair value plus transaction costs directly attributable to the acquisition or issue of the financial asset or liability. After initial recognition financial assets are classified as either financial assets at fair value through profit or loss; held-to-maturity investments; loans and receivables; or available-for-sale; and are measured at their fair values without any deduction for transaction costs, except for the following financial assets:

   (i) loans and receivables and held-to-maturity financial instruments are measured at amortized cost using the effective interest rate method;

   (ii) investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

   After initial recognition financial liabilities are measured at amortized cost using the effective interest method, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are measured at fair value. Term deposits are classified as held-to-maturity financial instruments. They have fixed or determinable payments and fixed maturity dates, and the Company has the intent and ability to hold them to maturity.

   Trade accounts receivable, sundry receivables and receivable from insurers that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables and are carried at cost, which equates to amortized cost, less provision for bad debts. Trade accounts payable and accrued liabilities are financial liabilities, which are carried at cost.

Investments in Bahamas Registered Stock are designated as held-to-maturity and are carried at amortized cost. Preference share investments are classified as available-for-sale and are carried at cost, as this is considered to be the fair value at the balance sheet date. Gains and losses arising from changes in fair value of available-for-sale investments are recognised through the statement of changes in equity until the investments are disposed of or are determined to be permanently impaired, at which time the cumulative gain or loss previously recognised in equity is included in the statement of income for the period. All other investments are classified as financial assets at fair value through profit or loss. They are measured at fair value with reference to market prices, or, for non-listed companies, financial information on the company.

Recognition and derecognition - The Company recognizes/derecognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Company recognizes/derecognizes financial assets purchased or sold on the trade date. The gain or loss on investments classified as at fair value through profit or loss is recognized in the statement of income.

Investments held-to-maturity are recognized/derecognized on the day they are transferred to/by the Company. Financial liabilities are derecognized when they are extinguished. For financial asset and liabilities carried at amortised cost, a gain or loss is recognized in the statement of income when it is derecognized or impaired, as well as through the amortization process.

c. ***Trade accounts receivable*** - Trade accounts receivable are stated at cost less provision for bad debts. The bad debt provision is based on management's evaluation of the accounts receivable portfolio.

d. ***Property and equipment*** - Property and equipment, other than freehold land and buildings, are stated at cost less accumulated depreciation and amortization and impairment losses.

Expenditure incurred in the construction or replacement of property and equipment is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the property and equipment. All other expenditure is recognized in the statement of income as an expense as incurred.

Depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives. Land is not depreciated and expenditure incurred in the construction-in-progress is not depreciated until construction is completed.

The estimated useful lives as follows:

Buildings	40 years
Furniture and equipment	5 - 10 years
Leasehold improvements and others	3 - 5 years

Freehold land and buildings are stated at fair market value, based on independent professional appraisals, which are performed every three years. Revaluation increments are recorded in the revaluation surplus in the statement of changes in equity unless they reverse a revaluation decrease of the same asset previously recognized as an expense and are transferred to retained earnings to the extent realized by complete or partial disposal of the related asset. Any revaluation decrease is recognized as an expense unless it reverses a revaluation increase that was previously recognized in revaluation surplus.

e. ***Intangible assets*** - For insurance portfolios acquired, an intangible asset is accounted for under IFRS 4, representing the difference between the fair value of the contractual insurance rights acquired and insurance obligations assumed and any liability for insurance contracts that it issues. The subsequent measurement of this intangible asset is consistent with the measurement of the related insurance liability. IAS 38 *Intangible Assets* does not apply to this intangible asset; however, it does apply to customer lists and relationships reflecting the expectation of future contracts that are not part of the contractual insurance rights and insurance obligations that existed at the date of the business combination or portfolio transfer. Intangible assets recognized under IAS 38 are initially carried at cost. After initial recognition an intangible asset with a finite useful life is amortized, whereas an intangible asset with an indefinite useful life is not amortized. An intangible asset shall be regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows to the entity. The intangible asset is tested for impairment at least annually.

An intangible asset shall be derecognized on disposal or when no future economic benefit is expected from its use or disposal. The gain or loss arising from the derecognition is recognized in the statement of income.

f. ***Impairment*** - The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the statement of income.

An impairment loss in respect of held-to-maturity assets is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

Intangible assets are considered impaired when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The value in use is determined using the future cash flows and applying the appropriate discount rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of income.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

g. ***Unpaid claims*** - The provision for unpaid claims represents an estimate of the amount needed to provide for the ultimate expected cost of settling claims related to insured losses (both reported and unreported) that have occurred on or before each balance sheet date. The provision is periodically reviewed and evaluated in the light of emerging claims experience and changing circumstances. Changes in estimate of the ultimate liability are included in net claims incurred in the statement of income.

h. ***Premiums*** - Premiums written are recognized as income over the periods covered by the related policies taking into consideration the exposure period to which they relate. The adjustment to apportion the gross premiums written and ceded over the life of the policy is made through the movement in the unearned premiums.

   Unearned premiums at year end represent the proportion of the premiums which relate to periods of insurance subsequent to the balance sheet date. This amount is calculated on a quarterly pro-rated basis.

i. ***Premiums ceded*** - Premiums ceded to reinsurers are recognized as expense over the periods covered by the related policies taking into consideration the exposure period to which they relate.

   Deferred reinsurance premiums in the balance sheet at year end represent the proportion of the premiums ceded which relate to periods of insurance subsequent to the balance sheet date. This amount is calculated on a quarterly pro-rated basis.

j. ***Deferred acquisition cost***

   Reinsurance cost - Certain costs related to excess of loss reinsurance contracts are deferred and matched with the income related to these costs. Deferred reinsurance costs in the balance sheet at year end represent the deferred portion of these costs.

   Deferred and unearned commissions - The amounts at year end represent the proportion of the commission paid to agents and brokers and received from reinsurers which relate to periods of insurance subsequent to the balance sheet date. This amount is calculated on a quarterly pro-rated basis taking into consideration the exposure period to which they relate.

k. ***Commission income and expense*** - Base commissions paid to agents and received from insurers and reinsurers are calculated based on gross premiums written and reinsured. Base commission paid and received is adjusted so they are recognized over the period covered by the related policies taking into consideration the exposure period to which they relate.

   Profit commissions received from reinsurers and non-group insurers, calculated based on past underwriting results, are received from other insurance companies for whom Group agents may act and from the Group's reinsurers. The agency profit commissions are recorded in the year in which Group agents receive notification of the commission and reinsurance profit and override commissions are recorded on an accruals basis.

l. ***Dividend and interest income*** - Dividend income is recorded when the dividend is declared. Interest income is accounted for on an accrual basis.

m. ***Cash and cash equivalents***- Cash and cash equivalents consist of cash on hand and deposits with banks maturing within 90 days.

n. ***Related parties*** - Related parties include key management personnel, officers, directors, associated companies, shareholders and companies that are controlled by these parties.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

i. ***The ultimate liability arising from claims made under insurance contracts***

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the amounts that the Company will ultimately pay to settle such claims.

Significant areas requiring estimation and judgments include:

- Estimates of the amount of any liability in respect of claims notified but not settled and incurred but not reported claims provisions ("IBNR") included within provisions for insurance and reinsurance contracts.
- The corresponding estimate of the amount of reinsurance recoveries which will become due as a result of these estimated claims.
- The recoverability of amounts due from reinsurers.
- Estimates of the proportion of exposure which has expired in the period as represented by the earned proportion of premiums written.

The carrying value at the balance sheet date of gross claims reported and loss adjustment expenses and claims incurred but not reported was $19,352,292 (2006: $21,441,913). The amount of reinsurance recoveries estimated at the balance sheet date is $10,670,394 (2006: $13,583,172).

ii. ***Impairment of intangible asset***

Determining whether intangible assets are impaired requires an estimation of the value in use or fair value less costs to sell of the cash-generating unit to which the value has been allocated. The value in use calculation requires the Company to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value both of which are material sources of uncertainty. Fair value less costs to sell is the amount obtainable from the sale of an asset or cash generating unit between knowledgeable willing parties, less the costs of disposal.

The carrying value at the balance sheet date for intangible asset is $2,692,559 (2006: $2,692,559).

5. CASH

Cash consist of the following:

	2007	2006
Cash on hand	$ 15,336	$ 11,409
Cash at bank	6,798,042	5,194,838
	$ 6,813,378	$ 5,206,247

6. TERM DEPOSITS AND BANK OVERDRAFT

Term deposits are denominated in Bahamas dollars with an average interest rates of 5.25% (2006: 4.75%, 5.00%, 5.50%) per annum.

	2007	2006
Term deposits maturing within 90 days	$ 2,361,472	$ 1,188,969
Term deposits maturing after 90 days	1,118,057	2,115,830
	$ 3,479,529	$ 3,304,799

The Company also has a bank overdraft facility with Commonwealth Bank Limited up to $3,000,000. The facility, if exercised, bears interest at prime plus 1.5% per annum.

7. INVESTMENTS

Investments are as follows:

	2007	2006
Held-to-maturity:		
Bahamas Government Registered Stock - at amortized cost		
$231,000 5.53% per annum 2015 (2006: 5.53%)	$ 231,000	$ 231,000
$180,800 5.69% per annum 2020 (2006: 5.69%)	180,800	180,800
	411,800	411,800
At fair value through profit or loss:		
Commonwealth Bank Limited		
2,133,000 (2006: 711,000) common shares Cost $4,076,754 (2006: $4,076,754)	17,853,210	8,894,610
	17,853,210	8,894,610

(Continued)

	2007	2006
Available-for-sale:		
Commonwealth Bank Limited		
4,000 'A' Class preferred shares of $500 each - at cost	2,000,000	2,000,000
FamGuard Corporation Limited		
500 variable rate cumulative redeemable preference shares - at cost	500,000	500,000
FOCOL Holdings Limited		
500,000 preference shares of $1 each - at cost	500,000	500,000
	3,000,000	3,000,000
	$21,265,010	$12,306,410

The Commonwealth Bank Limited "A" Class preferred shares are redeemable at the option of the bank and bear interest at the rate of prime plus 1.50% (presently 7.00%) (2006: 7.00%) per annum.

During the year, 711,000 common shares of Commonwealth Bank Limited were subject to a three-for-one split resulting in a total of 2,133,000 common shares. In 2006, the ordinary shares and 4,000 preference shares of Commonwealth Bank Limited were pledged to secure the borrowings of the Group and have since been released. At December 31 2007, the Commonwealth Bank Limited common shares were valued at $8.37 (2006: $5.12), which is the price quoted by BISX (see Note 24).

The Company owns 500 variable rate cumulative redeemable preference shares in FamGuard Corporation Limited (the "Corporation"). The shares, bear interest at the rate of prime plus 1.50% (presently 7.00%) (2006: 7.00%) per annum.

The Company owns 500,000 cumulative redeemable preference shares in FOCOL Holdings ("FOCOL"). The shares are redeemable at the option of the FOCOL and bear interest at the rate of prime plus 1.5% (presently 7.25%) (2006: 7.25%) per annum.

(Concluded)

8. TRADE ACCOUNTS RECEIVABLE

Included in the Company's trade receivable are debtors with a carrying amount of $10,251,137 (2006: $8,129,395) which are past due at the reporting date. In this past due amount are trade receivables totaling $4,204,459 (2006: $2,040,311) which are secured by collateral over real estate or parent company guarantees. In view of the long-term relationship with the majority of the agency entities, their payment history and the fact that there has been no significant change in the credit quality, management does not deem any provision necessary.

Aging of past due balances:

	2007	**2006**
91 - 120 days	$ 7,121,578	$ 5,301,560
121 - 180 days	1,623,394	1,638,960
180 days and over	1,506,165	1,220,319
	$10,251,137	$ 8,160,839

The average age of the Company's receivables is 124 days (2006: 145 days).

9. INSURANCE ASSETS AND LIABILITIES

The movement in the deferred/unearned insurance assets and liabilities are as follows:

	Insurance Assets			Insurance Liabilities		
	Deferred Reinsurance Premiums	Deferred Commission Costs	Deferred Reinsurance Cost	Unearned Premiums	Unearned Commission Income	Net
Balance at December 31, 2005	$24,936,611	$ 6,036,413	$ 4,033,621	$(37,409,270)	$(5,207,545)	$ (7,610,170)
Portfolio transfer as a change in net retention	561,783	-	-	-	(235,387)	326,396
Movement during the year	791,632	393,322	581,118	(2,323,788)	(252,929)	(810,645)
Balance at December 31, 2006	26,290,026	6,429,735	4,614,739	(39,733,058)	(5,695,861)	(8,094,419)
Movement during the year	537,533	579,919	(579,405)	(2,953,927)	(143,338)	(2,559,218)
Balance at December 31, 2007	$26,827,559	$ 7,009,654	$ 4,035,334	$(42,686,985)	$(5,839,199)	$(10,653,637)

10. UNPAID CLAIMS AND CLAIMS INCURRED

	Gross	Reinsurance	Net
Unpaid claims at December 31, 2005	$ 24,017,732	$(15,653,824)	$ 8,363,908
Claims incurred	21,705,922	(14,241,353)	7,464,569
Claims paid	(24,281,741)	16,312,005	(7,969,736)
Unpaid claims at December 31, 2006	21,441,913	(13,583,172)	7,858,741
Claims incurred	20,517,423	(13,358,426)	7,158,997
Claims paid	(22,607,044)	16,271,204	(6,335,840)
Unpaid claims at December 31, 2007	$ 19,352,292	$(10,670,394)	$ 8,681,898

The table below shows the development of claims over a period of time on a gross basis. The table shows the cumulative incurred claims, including both notified and IBNR claims for each successive accident year.

The claims have been adjusted to make them comparable on a year to year basis.

The Company has taken advantage of the exception in IFRS 4, "Insurance Contracts" which permits an entity to not disclose information about claims development that occurred earlier that five years before the end of the first financial year in which it applies this standard.

	Accident years					
	2003	2004	2005	2006	2007	Total
Gross claims incurred						
at end of reporting year	$ 8,835,050	$101,635,745	$ 21,233,541	$ 15,131,676	$18,731,278	
One year later	10,799,090	99,051,431	21,952,158	18,026,630		
Two years later	10,731,840	97,449,270	23,309,773			
Three years later	11,897,238	96,850,953				
Four years later	11,818,943					
Total incurred to date	11,818,943	96,850,953	23,309,773	18,026,630	18,731,278	
Cumulative payments to date	(10,291,528)	(95,223,624)	(20,908,838)	(13,635,982)	(15,285,097)	
Liability included in Balance Sheet	$ 1,527,415	$ 1,627,329	$ 2,400,935	$ 4,390,648	$ 3,446,181	$13,392,508
Reserves for prior years						5,959,784
Total unpaid claims including amounts recoverable from reinsurers in the Balance Sheet						$19,352,292

11. PROPERTY AND EQUIPMENT

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

	Land	Buildings	Leasehold improvements, furniture and equipment	Total
COST/VALUATION:				
At January 1, 2007	$ 427,500	$ 1,472,500	$ 268,969	$ 2,168,969
Appreciation	71,250	118,239	-	189,489
Additions	-	-	39,569	39,569
Disposals	-	-	(78,751)	(78,751)
At December 31, 2007	498,750	1,590,739	229,787	2,319,276
ACCUMULATED DEPRECIATION/ AMORTIZATION:				
At January 1, 2007	$ -	$ 77,416	$ 202,547	$ 279,963
Charge for the year	-	38,796	34,904	73,700
Disposals	-	-	(78,579)	(78,579)
At December 31, 2007	-	116,212	158,872	275,084
NET BOOK VALUE:				
At December 31, 2007	$ 498,750	$ 1,474,527	$ 70,915	$ 2,044,192

(Continued)

	Land	Buildings	Leasehold improvements, furniture and equipment	Total
COST/VALUATION:				
At January 1, 2006	$ 427,500	$ 1,472,500	$ 267,656	$ 2,167,656
Additions	-	-	14,399	14,399
Disposals	-	-	(13,086)	(13,086)
At December 31, 2006	427,500	1,472,500	268,969	2,168,969
ACCUMULATED DEPRECIATION/ AMORTIZATION:				
At January 1, 2006	$ -	$ 38,708	$ 189,901	$ 228,609
Charge for the year	-	38,708	23,846	62,554
Disposals	-	-	(11,200)	(11,200)
At December 31, 2006	-	77,416	202,547	279,963
NET BOOK VALUE:				
At December 31, 2006	$ 427,500	$ 1,395,084	$ 66,422	$ 1,889,006

In May 2007 land and the buildings were revalued to fair market value based on a valuation performed by an independent appraiser. The fair value of the land and building was estimated to be $498,750 and $1,501,250, respectively, based on the combined effect of the cost, income and sales comparison approach. The surplus arising on the revaluation of $189,489 is included in revaluation surplus in shareholders' equity (See Note 14). The net book value of the land and building, ignoring the effects of the revaluation, would have been $427,500 and $1,356,288 (2006: $217,022 and $525,794) respectively.

(Concluded)

12. INTANGIBLE ASSET

Intangible asset of $2,692,559 arises on the acquisition of an insurance portfolio and is a separate cash-generating unit. The recoverable amount has been determined to be the fair value less costs to sell, which is higher than the carrying value and accordingly there is no requirement for an impairment loss to be recognized. The fair value is based on a multiple of the cash flow, which is projected to be generated from underwriting the portfolio.

Balance December 31, 2005	$ 2,055,843
Additions	636,716
Balance December 31, 2006	2,692,559
Additions	-
Balance December 31, 2007	$ 2,692,559

At December 31, 2007 there is no indication of impairment loss in value of this asset.

13. SHARE CAPITAL

The authorized share capital is 10,000,000 (2006: 2,500,000) at $1.00 each, while issued and fully paid was $7,500,000 (2006: $2,500,000). During the year, 5,000,000 (2006: 500,000) shares were issued for cash.

14. GENERAL RESERVE

The Company has established a general reserve from retained earnings in the amount of $3,500,000 (2006: $3,500,000), which the directors have determined is not available for distribution.

15. REVALUATION SURPLUS

The movement in the revaluation surplus is as follows:

	Freehold		
	Land	Buildings	Total
Balance at January 1, 2006	$210,478	$ 869,301	$1,079,779
Balance at December 31, 2006	210,478	869,301	1,079,779
Net change	71,250	118,239	189,489
Balance at December 31, 2007	$281,728	$ 987,540	$1,269,268

16. OTHER INCOME

Other income is as follows:

	2007	2006
Investment income	$ 789,074	$ 571,267
Claims handling fees	146,190	188,100
Interest	271,729	174,918
Rental income (Note 18)	120,000	120,000
Other income	3,858	2,159
	$ 1,330,851	$ 1,056,444

17. SALARIES, BENEFITS AND BONUSES

Included in salaries, benefits and bonuses is a profit sharing bonus payable to certain directors, management and staff amounting to $269,189 (2006: $Nil). This bonus amount was approved by the Board of Directors.

The majority of the Company's employees participate in a defined contribution pension plan into which the Company contributes 3% to 5% per annum of base salary. The Company paid contributions for the year amounting to $44,193 (2006: $42,903), which is included in salaries, benefits and bonuses in the statement of income.

18. RELATED PARTY BALANCES AND TRANSACTIONS

	2007	2006
Gross premiums written for the year	$52,498,854	$37,645,911
Commissions paid for the year	$ 9,071,966	$ 7,049,996
Management fees paid to BFCS	$ 956,699	$ 1,047,394
Rental income received from NUA	$ 120,000	$ 120,000
Balances receivable from agents and brokers at December 31	$ 6,958,447	$ 1,020,717
Balances payable to agents and brokers at December 31	$ 466,983	$ 336,492

Key management personnel include members of the Company's management team having authority and responsibility for planning, directing and controlling the activities of the Company's operation. Compensation to key management personnel are as follows:

	2007	2006
Salaries and benefits	$ 594,611	$ 437,342
Post retirement benefits	20,250	18,283
	$ 614,861	$ 455,625
Receivables from key management personnel	$ 179,107	$ 172,220

These balances are interest free and unsecured with no fixed terms of repayment.

19. CONTINGENCIES

In the normal course of its business, the Company is involved in various legal proceedings arising out of and incidental to its operations. Management of the Company does not anticipate that the losses, if any, incurred as a result of these legal proceedings will materially affect the financial position of the Company.

20. INSURANCE RISK

The Company issues contracts that transfer insurance or financial risk or both. 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.

The Company follows the policy of underwriting and reinsuring contracts of insurance, which generally limits the liability of the Company for any one risk to a maximum amount of not more than 2% of its capital and reserves. In addition, catastrophe reinsurance is obtained to limit liability to a maximum of 20% of the capital and reserves in the event of a series of claims arising out of a single occurrence.

The frequency and severity of claims can be affected by several factors with the single most significant event being a catastrophic event. The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. Underwriting limits are in place to enforce appropriate risk selection criteria. The Company actively manages and pursues early settlement of all claims to reduce its exposure to unpredictable developments.

21. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

The Company's investments are exposed to market price risk, interest rate risk, credit risk and liquidity risk. The Company is also exposed to credit risk on accounts receivable and amounts due from reinsurers.

Market risk - Market risk is the risk that the value will fluctuate as a result of changes in market prices.

Interest rate risk - Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This is primarily a concern with fixed interest rate investments, which the Company intends to hold for the long-term.

The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk to minimize its exposure to significant losses from reinsurer insolvency.

Liquidity risk - Liquidity risk is the risk that the Company may have difficulty liquidating its positions due to existing or unforeseen market constraints. The Company's investment in quoted available-for-sale shares are in a market that is not highly active and comprises large blocks of shares in each investment. The other investments in preferred shares do not have a market and therefore may not be readily realizable. As a result, the Company may not be able to quickly liquidate its investments at an amount close to their fair value in order to meet liquidity requirements. Management does not anticipate that it will be required to quickly liquidate its investments to meet its commitments.

Credit risk - Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Management assesses the credit rating of its primary reinsurers to ensure that they are financially viable to meet their reinsurance commitments. Other receivables are monitored for impairment and provided for if considered necessary.

22. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair values of the Company's financial assets and liabilities are estimated to approximate their carrying values at the balance sheet date for one or all of the following reasons:

a. Short-term maturities; or
b. Interest rate approximate current market rates; or
c. Carrying values approximate current market values.

23. CAPITAL STRUCTURE

Management assesses on a regular basis whether the Company's capital structure is in accordance with the Company's and Shareholders' interests. The overall objective is to ensure a capital structure that supports maximising returns to the shareholders of the Company by optimising the debt to equity ratio. The Company's strategy remains the same as last year.

24. EVENTS AFTER THE BALANCE SHEET DATE

At June 12, 2008, the market price of the Commonwealth Bank Limited common shares decreased by $1.07 from the market price used for the carrying value of $8.37 at the balance sheet date, reducing the value of the Company's investment by $2,282,310.

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