

CONSOLIDATED FINANCIAL STATEMENTS**ASSETS
(\$'000)**

Reference			Current Year	Prior Year
Page			01	03
	Cash	010	18,867	9,089
<u>21.012</u>	Short Term Investments	040	3,357	29,793
	Accrued Investment Income	070	1,610	1,539
	Accounts Receivable	100	15,028	13,949
	Policy Loans	200		
<u>21.012</u>	Bonds and Debentures	250	43,948	28,332
	Mortgage Loans	300	4,714	9,370
<u>21.012</u>	Preferred Shares	420	97,534	84,225
<u>21.012</u>	Common Shares	440	29,388	25,115
	Real Estate	500	0	0
	Other Equity Investments.....	550	24,937	22,202
	Other Loans and Invested Assets	600	13,197	11,704
	Future Income Taxes	800		
	Goodwill.....	820		
	Intangible Assets.....	830		78
	Other Assets.....	880	7,792	3,701
	TOTAL ASSETS	899	260,372	239,097
	Total Segregated Funds Net Assets	929		

CONSOLIDATED FINANCIAL STATEMENTS

**LIABILITIES, POLICYHOLDERS' AND SHAREHOLDERS' EQUITY
(\$'000)**

		Current Year	Prior Year
		01	03
Liabilities			
Net Actuarial Liabilities	010	63,256	64,893
Other Insurance Policy & Contract Liabilities	040	65,622	65,766
Trust and Banking Deposits	070		
Accounts Payable	100	10,126	10,125
Mortgage Loans and Other Real Estate Encumbrances	130		
Other Liabilities	160	3,774	1,175
Net Deferred Gains (Losses) on Real Estate:			
Backing Liabilities	180		
Backing Equity	230		
Future Income Taxes	250	18,731	11,465
Subordinated Debt	280		
Other Debt	310		
Total Liabilities	389	161,509	153,424
Non-Controlling Interests	410		
Policyholders' Equity			
Participating Account	510		
Participating Account - Accumulated OCI (Loss)	520		
Non-Participating Account (Mutual Companies Only)	540		
Non-Participating Account - Accumulated OCI (Loss)	550		
Total Policyholders' Equity	589		
Shareholders' Equity			
Capital Stock	610	38,000	38,000
Other Capital	640		
Contributed Surplus	670		
Retained Earnings	700	65,008	49,844
Accumulated Other Comprehensive Income (Loss)	740	(4,145)	(2,171)
Total Shareholders' Equity	779	98,863	85,673
TOTAL LIABILITIES AND EQUITY	899	260,372	239,097

CONSOLIDATED FINANCIAL STATEMENTS

**INCOME STATEMENT
(\$'000)**

		Current Year (01)	Prior Year (03)
Revenue			
Premiums	040	21,968	35,902
Net Investment Income	070	5,116	4,947
Fee Income	130	5,161	6,306
Other Revenue	160	0	0
Total Revenue	199	32,245	47,155
Policy Benefits and Expenses			
Policyholder Benefits	250	4,206	3,872
Net Changes to Actuarial Liabilities			
Normal	300	(2,648)	3,879
Basis Change	330	0	0
Policyholder Dividends	360	0	0
Experience Rating Refunds	390	0	0
Transfer to and (Transfer from) Other Funds	420	0	0
Commissions	450	11,427	16,496
Interest on Policyholder Amounts on Deposit	480	0	0
Interest Expense	510	0	0
General Expenses and Taxes (excl. income taxes)	540	10,040	11,607
Other Expenses	570	523	383
Non-Controlling Interests	600	0	0
Total Benefits and Expenses	649	23,548	36,237
Income Before Income Tax	669	8,697	10,918
Provision for Income Taxes			
Current	700	1,269	2,770
Future	710		
Income before the following:	749	7,428	8,148
Extraordinary Items			
(Net of Income Taxes of \$ 0)	800	0	0
Discontinued Operations			
(Net of Income Taxes of \$ 0)	830	0	0
Income Before Attribution to Participating Policyholders	859	7,428	8,148
Income Attributable to Participating Policyholders (Stock companies)	870	0	0
Net Income	899	7,428	8,148

Premiums on Reinsurance Agreements

Deducted in arriving at Net Premiums	940		
Deducted & not included in gross premiums	941		

CONSOLIDATED FINANCIAL STATEMENTS**STATEMENT OF EQUITY IN PARTICIPATING ACCOUNT
(\$'000)**

Reference Page		Current Year (01)	Prior Year (03)
	Beginning of Year		
	Adjustments		
		
<u>20.030</u>	Share of Net Income (Loss)		
<u>20.040</u>	Transfer from (to) Retained Earnings (Stock companies only)...		
<u>20.040</u>	Transfer from (to) Non-Par Account (Mutual companies only) ...		
	End of Year	0	0

**STATEMENT OF NON-PARTICIPATING ACCOUNT
Mutual Companies Only
(\$'000)**

Reference Page		Current Year (01)	Prior Year (03)
	Beginning of Year		
	Adjustments		
		
<u>20.030</u>	Share of Net Income (Loss)		
<u>20.040</u>	Transfer from (to) Par Account	0	
	Dividends to Preferred Shareholders		
	End of Year	0	0

**STATEMENT OF RETAINED EARNINGS
Stock Companies Only
(\$'000)**

Reference Page		Current Year (01)	Prior Year (03)
	Beginning of Year	57,580	46,696
	Adjustments		
		
<u>20.030</u>	Share of Net Income (Loss)	7,428	8,148
<u>20.040</u>	Transfer from (to) Par Account	0	
	Dividends to Shareholders:		
	Preferred		
	Common		5,000
	End of Year	65,008	49,844

CONSOLIDATED FINANCIAL STATEMENTS
COMPREHENSIVE INCOME (LOSS), and
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
(\$'000)

	Current Period 01	Prior Period 03
Comprehensive Income (Loss)		
Income Before Attribution to Participating Policyholders 010	7,428	8,148
Other Comprehensive Income (Loss):		
Available for Sale:		
Change in Unrealized Gains and Losses:		
- Loans 110		
- Bonds and Debentures 140	1,928	379
- Equities 170	(6,208)	(2,551)
Reclassification to Earnings of (Gains) Losses 210	135	0
Derivatives Designated as Cash Flow Hedges		
Change in Unrealized Gains and Losses 310		
Reclassification to Earnings of (Gains) Losses 340		
Foreign Currency Translation		
Change in Unrealized Gains and Losses 410		
Impact of Hedging 440		
Other 480		
Total Other Comprehensive Income (Loss) 510	(4,145)	(2,172)
Total Comprehensive Income (Loss) 589	3,283	5,976

	Current Period 01	Prior Period 03
Accumulated Other Comprehensive Income (Loss)		
Accumulated Gains/ (Losses) on:		
Available for Sale:		
- Loans 710		
- Bonds and Debentures 740	1,928	379
- Equities 770	(6,073)	(2,551)
Derivatives Designated as Cash Flow Hedges 810		
Foreign Currency (Net of Hedging Activities) 840		
Other 880		
Balance at end of Period 899	(4,145)	(2,172)

Summary of Capital Elements and Ratio Calculations

(thousands of dollars)

	01	02	Ref
Capital Available:			
Tier 1			
Common shares	38,000		001
Contributed surplus			002
Retained earnings	65,008		003
Less: Accumulated after tax fair value gains/(losses) arising from changes in institution's own credit risk			301
Future use: fair value option			302
Participating account			004
Non-cumulative perpetual preferred shares			005
Qualifying non-controlling interests (excluding innovative tier 1)			006
Innovative Instruments in Tier 1 (max 15% net tier 1)			007
Non-participating account (mutual companies)			311
Adjusted ¹ net deferred gains/losses on real estate that have not been taken into account in the valuation of policy liabilities			312
Accumulated net after-tax foreign currency translation adjustment reported in Other Comprehensive Income (OCI)			313
Accumulated net after-tax unrealized loss on available-for-sale equity securities reported in OCI			314
Gross Tier 1 Capital		103,008	010
Less: Deductions for Net Tier 1 Capital (page 20.020, line 249)	0		012
Net Tier 1 Capital		103,008	020
Less: Additional deductions for Adjusted Net Tier 1 Capital (page 20.020, line 299)	0		321
Adjusted Net Tier 1 Capital		A 103,008	329
Tier 2A (page 20.020 line 079)	(4,145)		021
Tier 2B allowed (line 20.030 line 045)	0		022
Tier 2C (line 20.030 line 068)	0		023
Total Tier 2 Capital Allowed (page 20.030 line 070)		0	025
Total Capital Available		B 103,008	040
Capital Required:			
Asset Default and Market Risk			
Asset Default (C-1) Risk			
- Backing Non-Par, Surplus and Non-Qualifying Participating	i) 13,452		041
- Backing Qualifying Participating Policies	ii)		042
Index Linked Pass Through Products	iii)		043
Off-Balance Sheet Exposures			
- Backing Non-Par, Surplus and Non-Qualifying Participating	iv)		044
- Backing Qualifying Participating Policies	v)		045
Segregated Funds Risk	vi)		046
Total Asset Default and Market Risk	sum of (i to vi)	13,452	050
Insurance Risks			
Mortality Risk	i) 2,330		051
Morbidity Risk	ii) 13,707		052
Lapse Risk	iii) 1,543		053
Total Insurance Risks	sum of (i to iii)	17,580	060
Changes in Interest Environment (C-3) Risk		1,104	062
Foreign Exchange Risk			067
Other (specify) ²			070
Total Capital Required		C 32,136	080
MCCSR Ratios			
Tier 1	(A ÷ C) x 100	320.54	098
Total	(B ÷ C) x 100	320.54	099

¹ Net deferred gains must be adjusted to reduce gains/losses by 45% on the portion of gains/losses on which no income taxes payable has been accounted for, or the future income tax amount.

² Provide details of additional requirements.