FijiCare
INSURANCE LIMITED

FIJICARE INSURANCE LTD - 2007

CHAIRMAN'S REPORT

I am very pleased to report an excellent turnaround in the company's financial performance for 2007 by posting a pre tax profit of $797,000.

Whilst this result is a good one, I wish to highlight that given the overall weakness in the Fiji economy, the board feels it will prove difficult to guarantee a repeat performance next year.
And given the current volatile environment in international finance markets which was triggered by the US sub prime crisis, the company needs to be mindful of potential offshore events which may or may not affect our reinsurance markets.

I am also pleased to confirm the balance sheet remains strong and whilst onshore investment opportunities are limited, the company's investment portfolio has demonstrated good overall returns with it's mix of property, interest bearing bank deposits and locally listed equities.
The company will continue to increase it's exposure into the local investment market, particularly the equity markets as and when good opportunities present themselves.

FijiCare has continued to strengthen it's brand name and the recent relocation of our Medical Centre to what we call the "Medical Mile" is proving to be an excellent move. The Clinic is seeing more and more non FijiCare related customers and this growth is expected to continue. It is our intention to introduce more new and modern medical equipment over the next 2 years, thus increasing it's capacity, as and when the Clinic improves it's profit base.

As promised, the company has introduced Workers Compensation as a new product. And we are constantly working on new products to continually grow the product base and income stream.

Competition has remained strong in the market ensuring our sales and marketing staff are kept busy.

Underwriting results have once again improved and we are constantly upgrading our administrative and IT systems.

We believe our claims service has also improved. Our customers tell us that claims assessment and turnaround has improved dramatically over the past 12 months.
I am pleased to report the commencement of a pilot over the counter electronic claims payment system in our Western office. Once this system is tried and proven we will install this facility in our other locations.

The company's focus in the human resources area with regularly staff training would appear to be the major factor in the company's excellent results. We have a seriously

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great team of people. They are dedicated, committed and without exception all employees have improved their individual skills base. They are a winning team and I wish to once again thank them publicly for the fine efforts.

And of course, good teams are only as good as their leaders and we are very fortunate to have a great leader in our Managing Director, Peter McPherson. He has demonstrated remarkable leadership and drive – leading from the front as he is known to do. Thank you Peter.

I am now pleased to announce that with this profit we are able to reconnect with our previous track record and pay a dividend of 4 cents per share.

And last but not least, I wish to thank all our stakeholders, our shareholders for their patience, the regulators and our many external advisors and consultants.

Thank you.

Ross Porter
Chairman

FIJICARE INSURANCE LIMITED
AND SUBSIDIARY COMPANY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

FIJICARE INSURANCE LIMITED AND SUBSIDIARY COMPANY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

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DIRECTORS' REPORT

In accordance with a resolution of the board of directors, the directors herewith submit the balance sheet of the company and of the group as at 31 December 2007, the related income statement, statement of changes in equity and cash flow statement for the year then ended on that date and report as follows:

Directors

The names of the directors in office at the date of this report are:

Ross Porter – Chairman, FAICD
Carl Philip Thomas
Peter McPherson, Grad Dip Mgt, JP (Aust.)
Joeli Radio

Principal Activities

The principal activities of the holding company during the year were that of underwriting of medical, health, disability, workers compensation and term life insurance risks.

The principal activity of the subsidiary company, FijiCare Medical Centre Limited, during the year was operating medical clinic and medical centre.

There were no significant changes in the nature of these activities during the financial year.

Results

The consolidated net profit after income tax for the financial year was $572,245. (Company: $589,290)

Dividends

The directors propose that no amounts be paid by way of dividends.

Reserves

Except for the movements disclosed in the statement of changes in equity, it is proposed that no other amounts be transferred to reserves within the meaning of the Seventh Schedule of the Companies Act, 1983.

Bad and Doubtful Debts

Prior to the completion of the company's and group's financial statements, the directors took reasonable steps to ascertain that action had been taken in relation to writing off of bad debts and the making of allowance for doubtful debts. In the opinion of the directors, adequate allowance has been made for doubtful debts.

As at the date of this report, the directors are not aware of any circumstances, which would render the amount written off for bad debts, or the allowance for doubtful debts in the company or the group, inadequate to any substantial extent.

DIRECTORS' REPORT [CONT'D]

Non - Current Assets

Prior to the completion of the financial statements of the company and the group, the directors took reasonable steps to ascertain whether any non-current assets were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the company and of the group. Where necessary, these assets have been written down or adequate allowance has been made to bring the values of such assets to an amount that they might be expected to realise.

As at the date of this report, the directors are not aware of any circumstances, which would render the values attributed to non-current assets in the company's and the group's financial statements misleading.

Unusual Transactions

In the opinion of the directors, the results of the operations of the group or any company in the group during the financial year were not substantially affected by any item, transaction or event of an abnormal character, nor has there arisen between the end of the financial year and the date of this report any item, transaction or event of an abnormal character likely, in the opinion of the directors, to affect substantially the results of the operations of the group or any company in the group in the current financial year.

Events Subsequent to Balance Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group or the company, the results of those operations, or the state of affairs of the group or the company in future financial years.

Other Circumstances

As at the date of this report:

(i) no charge on the assets of any company in the group has been given since the end of the financial year to secure the liabilities of any other person;

(ii) no contingent liabilities have arisen since the end of the financial year for which any company in the group could become liable; and

(iii) no contingent liabilities or other liabilities of any company in the group has become or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the company or the group to meet its obligations as and when they fall due.

DIRECTORS' REPORT [CONT'D]

Other Circumstances (Cont'd)

As at the date of this report, the directors are not aware of any circumstances that have arisen, not otherwise dealt with in this report which would make adherence to the existing method of valuation of assets or liabilities of the company and the group misleading or inappropriate.

Share Option

Kontiki Capital Limited holds option for acquiring 200,000 ordinary shares of the holding company with a strike price of 62.5 cents per share exercisable at any time up to 30 June 2008.

The above options have not been exercised as at the date of this report.

Directors' Benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than those disclosed in the financial statements of the company and the group) by reason of a contract made by any company in the group or by a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

For and on behalf of the board and in accordance with a resolution of the directors.

Dated this 7th day of April 2008.

…………………………. ………………………….
Director Director

STATEMENT BY DIRECTORS

In accordance with a resolution of the board of directors of FijiCare Insurance Limited, we state that in the opinion of the directors:

[i] the accompanying income statement of the company and of the group is drawn up so as to give a true and fair view of the results of the company and of the group for the year ended 31 December 2007;

[ii] the accompanying statement of changes in equity of the company and of the group is drawn up so as to give a true and fair view of the changes in equity of the company and of the group for the year ended 31 December 2007;

[iii] the accompanying balance sheet of the company and of the group is drawn up so as to give a true and fair view of the state of affairs of the company and of the group as at 31 December 2007;

[iv] the accompanying cash flow statement of the company and of the group is drawn up so as to give a true and fair view of the cash flows of the company and of the group for the year ended 31 December 2007;

[v] the financial statements have been properly prepared in accordance with International Financial Reporting Standards;

[vi] at the date of this statement, there are reasonable grounds to believe that the company and the group will be able to pay their debts as and when they fall due; and

[vii] all related party transactions have been adequately recorded in the books of the company.

For and on behalf of the board and in accordance with a resolution of the directors.

Dated this 7th day of April 2008.

………………………….. ………………………….

Director Director

INDEPENDENT AUDIT REPORT

To the members of FijiCare Insurance Limited

Scope

We have audited the financial statements of FijiCare Insurance Limited and the group for the year ended 31 December 2007 as set out on pages 7 to 36. The company's directors are responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the company.

Our audit has been conducted in accordance with Fiji Standards on Auditing to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with International Financial Reporting Standards and the Companies Act, 1983 so as to present a view which is consistent with our understanding of the company's and the group's financial position, the results of its operations, cash flows and movement in shareholders' equity.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion:

(a) proper books of account have been kept by the company and the group, so far as it appears from our examination of those books; and

(b) the accompanying financial statements which have been prepared in accordance with International Financial Reporting Standards:

  i) are in agreement with the books of account;

  ii) to the best of our information and according to the explanations given to us:

    (a) give a true and fair view of the state of affairs of the company and of the group as at 31 December 2007 and of the results, cash flows and movement in shareholders' equity of the company and of the group for the year ended on that date;

    (b) give the information required by the Companies Act, 1983 in the manner so required.

We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.

SUVA, FIJI
7 APRIL 2008 **CHARTERED ACCOUNTANTS.**

FIJICARE INSURANCE LIMITED AND SUBSIDIARY COMPANY
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

		Consolidated		Holding Company	
	Notes	**2007**	**2006 Restated**	**2007**	**2006 Restated**
		$	**$**	**$**	**$**
Insurance revenue	2	6,641,902	8,070,592	6,561,147	7,808,765
Incurred claims		(2,886,131)	(4,287,944)	(3,002,284)	(4,418,667)
Commission expenses		(1,034,576)	(1,263,700)	(1,034,576)	(1,263,700)
Other direct costs		(139,688)	(268,017)	-	-
Insurance profit		2,581,507	2,250,931	2,524,287	2,126,398
Other operating revenue	3	436,796	188,022	430,280	202,445
		3,018,303	2,438,953	2,954,567	2,328,843
Advertising and promotion expenses		(54,538)	(59,777)	(51,643)	(57,600)
Other operating expenses		(2,166,272)	(2,008,477)	(2,125,028)	(1,999,846)
		(2,220,810)	(2,068,254)	(2,176,671)	(2,057,446)
Operating profit before income tax	18	**797,493**	**370,699**	**777,896**	**271,397**
Income tax benefit/(expense)	4(a)	(225,248)	1,490	(188,606)	63,490
Net profit for the year		**572,245**	**372,189**	**589,290**	**334,887**
Earnings per share					
Basic earnings per share – cents	20	9.93	6.46		
Diluted earnings per share - cents	20	9.92	6.42		

The accompanying notes form an integral part of this income statement.

FIJICARE INSURANCE LIMITED AND SUBSIDIARY COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

	Consolidated		Holding Company	
	2007	2006 Restated	2007	2006 Restated
	$	$	$	$
Capital				
Balance as at 1 January	2,880,387	2,880,387	2,880,387	2,880,387
Balance as at 31 December	2,880,387	2,880,387	2,880,387	2,880,387
Share Premium Reserve				
Balance as at 1 January	216,668	216,668	216,668	216,668
Balance as at 31 December	216,668	216,668	216,668	216,668
Accumulated Profits / (Losses)				
Balance as at 1 January	(171,972)	(544,161)	(102,020)	(436,907)
Net profit for the year	572,245	372,189	589,290	334,887
Balance as at 31 December	400,273	(171,972)	487,270	(102,020)
Total shareholders' equity attributable to members of the holding company	**3,497,328**	**2,925,083**	**3,584,325**	**2,995,035**

The accompanying notes form an integral part of this statement of changes in equity.

FIJICARE INSURANCE LIMITED AND SUBSIDIARY COMPANY
BALANCE SHEET
AS AT 31 DECEMBER 2007

		Consolidated		Holding Company	
	Notes	2007	2006 Restated	2007	2006 Restated
		$	$	$	$
CURRENT ASSETS					
Cash and bank balances		147,925	13,117	150,587	15,946
Trade and other receivables	5	1,269,198	1,943,847	1,262,340	1,937,892
Held-to-maturity investments	6 (a)	3,029,560	3,523,693	3,029,560	3,523,693
Deferred costs	7	536,355	529,984	536,355	529,984
Current tax asset		-	40,000	-	40,000
Other assets	8	7,032	6,085	7,032	6,085
Total current assets		**4,990,070**	**6,056,726**	**4,985,874**	**6,053,600**
NON-CURRENT ASSETS					
Assets classified as available-for-sale	6 (b)	509,368	1,039,000	509,368	1,039,000
Held-to-maturity investments	6 (a)	2,025,000	400,000	2,025,000	400,000
Investment in subsidiary	6 (c)	-	-	10,000	10,000
Loans and advances	9	-	-	-	20,470
Property, plant and equipment	10	443,818	490,902	415,687	449,138
Deferred tax assets	11	44,194	45,970	142,835	107,970
Total non-current assets		**3,022,380**	**1,975,872**	**3,102,890**	**2,026,578**
TOTAL ASSETS		**8,012,450**	**8,032,598**	**8,088,764**	**8,080,178**
CURRENT LIABILITIES					
Trade and other payables	12	708,531	1,575,428	702,294	1,562,342
Insurance liabilities	14	3,533,864	3,432,261	3,533,864	3,432,261
Employee entitlements	15	27,004	37,574	22,558	28,288
Current tax liabilities	4(b)	192,565	-	192,565	-
Total current liabilities		**4,461,964**	**5,045,263**	**4,451,281**	**5,022,891**
NON-CURRENT LIABILITIES					
Deferred tax liability	13	53,158	62,252	53,158	62,252
Total non-current liabilities		**53,158**	**62,252**	**53,158**	**62,252**
TOTAL LIABILITIES		**4,515,122**	**5,107,515**	**4,504,439**	**5,085,143**
NET ASSETS		**3,497,328**	**2,925,083**	**3,584,325**	**2,995,035**
SHAREHOLDERS' EQUITY					
Issued capital	16	2,880,387	2,880,387	2,880,387	2,880,387
Share premium reserve	17	216,668	216,668	216,668	216,668
Accumulated profit/(losses)		400,273	(171,972)	487,270	(102,020)
TOTAL SHAREHOLDERS' EQUITY		**3,497,328**	**2,925,083**	**3,584,325**	**2,995,035**

The accompanying notes form an integral part of this balance sheet.

For and on behalf of the board and in accordance with a resolution of the directors.

....
Director Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Consolidated		Holding Company	
	Inflows/ (Outflows) 2007	Inflows/ (Outflows) 2006 Restated	Inflows/ (Outflows) 2007	Inflows/ (Outflows) 2006 Restated
	$	$	$	$
Cash flows from operating activities				
Premium and fees received	7,482,062	10,201,192	7,400,152	9,928,760
Reinsurance premium, net	(648,026)	(1,541,116)	(648,026)	(1,541,116)
Claims and capitation fees paid, net	(2,901,945)	(4,493,420)	(2,901,945)	(4,624,143)
Payments to brokers, suppliers and employees	(3,252,026)	(3,561,352)	(3,074,726)	(3,097,158)
Cash generated from operations	680,065	605,304	775,455	666,343
Interest received	249,446	93,223	249,446	93,223
Dividend received	15,267	41,561	15,267	41,561
Net cash provided by operating activities	944,778	740,088	1,040,168	801,127
Cash flows from investing activities				
Payments for property, plant and equipment	(25,651)	(17,562)	(23,479)	(11,197)
Proceeds / (payment) for investments, net	(1,730,559)	79,287	(1,730,559)	79,287
Advance to subsidiary company	-	-	(97,729)	(42,051)
Proceeds from sale of plant and equipment	-	1,171	-	-
Net cash (used in)/provided by investing activities	(1,756,210)	62,896	(1,851,767)	26,039
Cash flows from financing activities				
Others – Prior year dividend unpresented cheque written back	-	85,312	-	85,312
Dividends paid	(85,312)	-	(85,312)	-
Net cash provided by / (used in) financing activities	(85,312)	85,312	(85,312)	85,312
Net increase/(decrease) in cash and cash equivalents	**(896,744)**	**888,296**	**(896,911)**	**912,478**
Cash and cash equivalents at the beginning of the year	1,044,669	156,373	1,047,498	135,020
Cash and cash equivalents at the end of the year (Note 19 (a))	**147,925**	**1,044,669**	**150,587**	**1,047,498**

The accompanying notes form an integral part of this cash flow statement.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

FijiCare Insurance Limited is a publicly listed company limited by shares, incorporated and domiciled in Fiji. Its registered office and principal place of business is at Level 9 FNPF Place, 343-359 Victoria Parade, Suva.

The principal accounting policies adopted by the company and the group are stated to assist in a general understanding of these financial statements. The accounting policies adopted are consistent with those of the previous year except as stated otherwise.

The presentation currency used for the preparation of this financial statement is Fiji dollars.

The financial statements were authorised for issue by the directors on 7 April 2008.

a) Statement of Compliance

The financial statements of the company and the group have been drawn up in accordance with the provisions of the Companies Act 1983, International Financial Reporting Standards ("IFRS") and any additional accounting and disclosure requirements of the Fiji Institute of Accountants.

b) Basis of Preparation

The financial statements have been prepared in accordance with the historical cost convention using the accounting policies described below and except where stated do not take into account current valuations of non-current assets.

The group changed its accounting policies which were based on Fiji Accounting Standards on 1 January 2007 to comply with IFRS. The transition to IFRS is accounted for in accordance with IFRS 1 'First-time Adoption of International Financial Reporting Standards', with 1 January 2006 as the date of transition. An explanation of how the transition from superseded policies to IFRS has affected the company's and group's financial position and financial performance is discussed in Note 32.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 December 2007, the comparative information presented in these financial statements for the year ended 31 December 2006, and in the preparation of the opening IFRS balance sheet at 1 January 2006 (as disclosed in Note 32), the company's and group's date of transition.

c) Basis of Consolidation

Subsidiary

FijiCare Medical Centre Limited is a wholly owned subsidiary of the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statement of the subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intra group balances and transactions, and any unrealised gains resulting from intra-group transactions, are eliminated in preparing the consolidated financial statements.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

d) Use of Estimates and Judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

e) Insurance Contracts

General

All of the general insurance products and reinsurance products on offer, or utilised, meet the definition of an insurance contract (a contract under which one party, the insurer, accepts significant insurance risk from another party, the policyholder, by agreeing to compensate the policyholder if a specified uncertain future event, the insured event, adversely affects the policyholder) and none of the contracts contain embedded derivatives or are required to be unbundled. Insurance contracts that meet the definition of a financial guarantee contract are accounted for as insurance contracts. This means that all of the general insurance products are accounted for in the same manner.

i) Premium Income

Premium revenue comprises amounts charged to policyholders (direct premium) for insurance contracts. Premium is recognised as earned on a proportionate basis over the period for which cover is provided using the 365 days pro-rata method.

The unearned portion of premium is recognised as an unearned premium liability on the balance sheet.

ii) Outward Reinsurance Premium

Outward reinsurance premium is recognised as an expense on a proportionate basis over the period for which cover is provided. Accordingly, a portion of outwards reinsurance premium expense is treated as a prepayment and presented as deferred reinsurance expenses on the balance sheet at the reporting date.

iii) Deferred Commission Costs

Commission cost paid to agents and brokers associated with obtaining general insurance contracts are referred to as acquisition cost. These costs are presented as deferred commission costs and are amortised and charged to expenses on the same basis as the recognition of premium income. The balance of the deferred commission costs at the reporting date represents the commission costs relating to unearned premium.

iv) Provision for Outstanding Claims

Provision for outstanding claims are stated net of amounts recoverable from reinsurers and are assessed by reviewing individual claims. The company has procedures for recording all claims received by way of an incoming claims register.

Provision is also made for insurance claims incurred but not reported (IBNR).

Provision is also made for claim administration expenses in accordance with guidelines issued by Reserve Bank of Fiji.

Claims expenses represent claim payments adjusted for the movement in the outstanding claims liability.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

f) Trade and Other Receivables and Allowance for Doubtful Debts

Trade and other receivables are stated at amounts due less any allowance for doubtful debts.

A provision is made in respect of debts considered doubtful based on a review of outstanding amounts at year-end. Bad debts are written off during the year in which they are identified.

g) Property, Plant and Equipment

Items of property, plant and equipment are stated at historical cost (including deemed cost) less accumulated depreciation and impairment losses. Plant and equipment are depreciated on a straight-line basis over their estimated useful lives using the following rates:

Furniture & Fittings and Office Equipment	10% - 25%

Buildings on leasehold land are depreciated using the straight line method over its estimated useful life or the remaining period of the lease, whichever is shorter.

Leasehold land is amortised using the straight-line method over the period of the lease.

Profit and loss on disposal of property, plant and equipment is taken into account in determining the results for the year.

h) Financial Assets

Investments are recognised and de-recognised on trade where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

Financial assets are classified as either held-to-maturity investments or available–for-sale assets. Held to maturity investments are measured at subsequent reporting dates at amortised cost. For available-for-sale assets, gains and losses arising from changes in fair value are recognised directly in the net profit or loss for the period.

Investment in subsidiary company is classified as available-for-sale assets and is stated at cost.

i) Loans and Advances

Loans and advances are recognised at recoverable amount, after assessing required provisions for impairment.

j) Foreign Currency Transactions

Foreign currency transactions during the year are translated to Fiji currency using the rate of exchange ruling at the date of transaction. Amounts payable and receivable in foreign currencies at balance date are converted at rates ruling at that date. All gains and losses arising from fluctuations in exchange rates are brought to account in determining the results for the year.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

k) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income account for the year using, tax rates enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary difference when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised

l) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

m) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the company and the group prior to the end of the financial year and which are unpaid.

n) Segment Information

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

o) Earnings per share

Basic earnings per share

Basic earnings per share (EPS) is calculated by dividing net profit after income tax attributable to members of the company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

p) Operating Leases

Operating leases are not capitalised and rental payments are charged to income statement in the period in which they are incurred.

q) Employee Entitlements

Accrual is made for the company's and the group's liability to employees for annual leaves on the basis of statutory or contractual requirements.

Defined contribution plans

Contributions to State owned defined contribution superannuation plans are expensed when incurred.

r) Revenue Recognition

Premium income is recognised as detailed in Note 1 e (i).

Revenue from medical clinics and medical centre is recognized upon the delivery of service to customers.

Dividend income is recognised when dividends of investees are declared.

Fair value gain and loss relating to available for sale assets are recognised based on changes in fair value in the financial year.

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

s) Impairment

The carrying amounts of the company's and group's assets are reviewed at balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

t) Comparatives

Where necessary, amounts relating to prior years have been reclassified to facilitate comparison and achieve consistency in disclosure with current year amounts.

NOTE 2. REVENUE

	Consolidated		Holding Company	
	2007	**2006 Restated**	**2007**	**2006 Restated**
	$	**$**	**$**	**$**
Gross written premium	7,250,643	9,604,643	7,250,643	9,604,643
Reinsurance premium	(668,474)	(1,757,136)	(668,474)	(1,757,136)
	6,582,169	7,847,507	6,582,169	7,847,507
Unearned premium, net movement	5,330	135,091	5,330	135,091
Deferred reinsurance premium, net movement	(26,352)	(173,833)	(26,352)	(173,833)
	6,561,147	7,808,765	6,561,147	7,808,765
Income from medical clinics and medical centre	80,755	261,827	-	-
Total revenue	6,641,902	8,070,592	6,561,147	7,808,765

NOTE 3. OTHER OPERATING REVENUE

Dividend income	15,267	41,561	15,267	41,561
Reversal of allowance for doubtful debts	6,516	-	-	-
Management fees	9,000	-	9,000	-
Interest income	385,021	137,163	385,021	151,586
Other income	20,992	9,298	20,992	9,298
Total other operating revenue	436,796	188,022	430,280	202,445

NOTE 4. INCOME TAX

	Consolidated		Holding Company	
	2007	2006 Restated	2007	2006 Restated
	$	$	$	$
The prima facie tax payable on profit is reconciled to the income tax expense as follows:				
a) Income tax expense				
Operating profit before income tax	797,493	370,699	777,896	271,397
Prima facie tax expense thereon at 31%	247,223	114,917	241,148	84,133
Tax effect of:				
Non-taxable income	(4,733)	(12,884)	(4,733)	(12,884)
Non-deductible expenses	34,417	3,100	34,417	3,100
Income tax concessions	(775)	(775)	(775)	(775)
Recoupment of tax losses not previously recognised	(81,451)	(137,064)	(81,451)	(137,064)
Timing differences and tax losses not recognised	30,567	31,216	-	-
Income tax expense/(benefit) attributable to operating profit	225,248	(1,490)	188,606	(63,490)
Income tax expense/ (benefit) comprises movement in:				
Provision for income tax	232,565	-	232,565	-
Deferred tax liability	(9,094)	(5,781)	(9,094)	(5,781)
Deferred tax asset	1,777	4,291	(34,865)	(57,709)
	225,248	(1,490)	188,606	(63,490)
b) Current tax liabilities				
Movements during the year were as follows:				
Balance at the beginning of the year	(40,000)	(40,000)	(40,000)	(40,000)
Tax liability for the current period	232,565	-	232,565	-
Balance at the end of the year	192,565	(40,000)	192,565	(40,000)
c) Benefit of income tax losses not brought to account				
The potential deferred tax asset arising from tax losses has not been recognised as an asset because recovery is not considered to be probable	282,476	444,755	-	268,639

The deferred tax asset will be obtained if:

a) the respective company derives future assessable income of a nature and of an amount sufficient to enable the benefits from the deductions for the losses to be realised;

b) the respective company continues to comply with the conditions for deductibility imposed by law; and

c) no changes in tax legislation adversely affect the respective company in realising the benefit from the deductions for the losses.

NOTE 5. TRADE AND OTHER RECEIVABLES

	Consolidated		Holding Company	
	2007	**2006 Restated**	**2007**	**2006 Restated**
	$	**$**	**$**	**$**
Trade receivables	965,406	1,091,992	961,064	1,080,580
Less: allowance for doubtful debts	(120,558)	(126,516)	(120,000)	(120,000)
	844,848	965,476	841,064	960,580
Reinsurance claims receivables	61,140	770,815	61,140	770,815
	905,988	1,736,291	902,204	1,731,395
Receivable from related parties:				
Other related parties	1,649	4,850	1,649	4,850
	1,649	4,850	1,649	4,850
Prepayments	52,356	26,081	49,282	25,022
Deposits	18,820	21,815	18,820	21,815
Other receivables	290,385	154,810	290,385	154,810
Total trade and other receivables, net	1,269,198	1,943,847	1,262,340	1,937,892

NOTE 6. FINANCIAL ASSETS

Current

6(a) Held-to-maturity investments

Short term investments with commercial banks and financial institutions	3,029,560	3,523,693	3,029,560	3,523,693
Total current financial assets	3,029,560	3,523,693	3,029,560	3,523,693

Non-current

6(a) Held-to-maturity investments

Long term investments with financial institutions	2,025,000	400,000	2,025,000	400,000

6(b) Available for sale assets

Investment in listed companies	499,346	490,043	499,346	490,043
Investment in unlisted company	10,022	10,153	10,022	10,153
Investment in Unit Trust of Fiji	-	538,804	-	538,804
	509,368	1,039,000	509,368	1,039,000

6(c) Investment in subsidiary – at cost

(Refer Note 26)	-	-	10,000	10,000

NOTE 6. FINANCIAL ASSETS (CONT'D)

	Consolidated		Holding Company	
	2007	2006 Restated	2007	2006 Restated
	$	$	$	$
Reconciliation for available for sale assets				
Opening balance	1,039,000	1,028,965	1,039,000	1,028,965
Additions	106,944	24,883	106,944	24,883
Disposals	(538,804)	(9,600)	(538,804)	(9,600)
Fair value gain/(loss) on investment	(97,772)	(5,248)	(97,772)	(5,248)
Total available-for-sale assets	509,368	1,039,000	509,368	1,039,000

NOTE 7. DEFERRED COSTS

Deferred commission expenses	329,440	296,717	329,440	296,717
Deferred reinsurance expenses	206,915	233,267	206,915	233,267
Total deferred costs	536,355	529,984	536,355	529,984

NOTE 8. OTHER ASSETS

Staff advances	7,032	6,085	7,032	6,085

NOTE 9. LOANS AND ADVANCES

Subsidiary (a)	-	-	318,199	220,470
Less : Allowance for doubtful debts	-	-	(318,199)	(200,000)
	-	-	-	20,470

(a) Loan and advances to subsidiary is unsecured and was subject to interest at the rate of 7% per annum. As per the board meeting dated 7 November 2007, the directors decided not to charge any interest for the current year.

NOTE 10. PROPERTY, PLANT AND EQUIPMENT

Leasehold land and building – at deemed cost	380,000	380,000	380,000	380,000
Less: accumulated depreciation	(13,944)	(8,186)	(13,944)	(8,186)
	366,056	371,814	366,056	371,814
Household furniture – at deemed cost	40,000	40,000	40,000	40,000
Less: accumulated depreciation	(40,000)	(40,000)	(40,000)	(40,000)
	-	-	-	-
Furniture, fittings and office equipment - at deemed cost	889,884	864,233	806,886	783,408
Less: accumulated depreciation	(812,122)	(745,145)	(757,255)	(706,084)
	77,762	119,088	49,631	77,324
Total property, plant and equipment, net	443,818	490,902	415,687	449,138

NOTE 10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year are as follows:

	Consolidated				
	Land & Buildings	Household Furniture	Furniture, fittings & office equipment	Total 2007	Total 2006 Restated
	$	$	$	$	$
Balance as at 31 December	371,814	-	119,088	490,902	562,672
Additions	-	-	25,651	25,651	17,562
Disposals	-	-	-	-	(4,423)
Depreciation expense	(5,758)	-	(66,977)	(72,735)	(84,909)
Balance as at 31 December	366,056	-	77,762	443,818	490,902

	Holding Company				
	Land & Buildings	Household Furniture	Furniture, fittings & office equipment	Total 2007	Total 2006 Restated
	$	$	$	$	$
Balance as at 31 December	371,814	-	77,324	449,138	509,409
Additions	-	-	23,479	23,479	11,197
Disposals	-	-	-	-	(3,148)
Depreciation expense	(5,758)	-	(51,172)	(56,930)	(68,320)
Balance as at 31 December	366,056	-	49,631	415,687	449,138

Leasehold land and building was revalued on 30 April 2005 by an independent valuer, Fairview Valuations. The valuation has been adopted as the "deemed cost" of the property effective 1 January 2006 upon the adoption of International Financial Reporting Standards.

NOTE 11. DEFERRED TAX ASSETS

	Consolidated		Holding Company	
	2007	2006 Restated	2007	2006 Restated
	$	$	$	$
Deferred tax assets comprises the estimated future benefit at current income tax rate of the following:				
Allowance for doubtful debts	37,200	37,200	135,841	99,200
Provision for employee entitlements	6,994	8,770	6,994	8,770
	44,194	45,970	142,835	107,970

Deferred tax asset for FijiCare Medical Centre Limited arising from the timing differences for allowance for doubtful debts, depreciation and annual leave accrual has not been brought to account in view of reasonable doubt of the entity to derive future assessable income of the nature and sufficient amount to enable the tax benefit to be realised.

NOTE 12. TRADE AND OTHER PAYABLES

	Consolidated		Holding Company	
	2007	2006 Restated	2007	2006 Restated
	$	$	$	$
Capitation fees	12,783	25,294	25,840	32,434
Payable to reinsurers	329,604	978,007	329,604	978,007
Dividend payable	-	85,312	-	85,312
Payable to related entity	47,872	88,696	47,872	88,696
Other payables and accrued liabilities	318,272	398,119	298,978	377,893
Total trade and other payables	708,531	1,575,428	702,294	1,562,342

NOTE 13. DEFERRED TAX LIABILITY

Deferred tax liability comprises the estimated future expense at current income tax rate of difference in depreciation for accounting and income tax purposes	53,158	62,252	53,158	62,252

NOTE 14. INSURANCE LIABILITIES

Unearned premiums				
Balance as at 1 January	2,314,081	2,449,172	2,314,081	2,449,172
Movement during the year, net	(5,330)	(135,091)	(5,330)	(135,091)
Balance as at 31 December	2,308,751	2,314,081	2,308,751	2,314,081
Outstanding claims, net				
Balance as at 1 January	579,601	769,807	579,601	769,807
Movement during the year, net	18,653	(190,206)	18,653	(190,206)
Balance as at 31 December	598,254	579,601	598,254	579,601
Claims administration provision				
Balance as at 1 January	100,918	102,512	100,918	102,512
Movement during the year, net	(24,059)	(1,594)	(24,059)	(1,594)
Balance as at 31 December	76,859	100,918	76,859	100,918
Claims incurred but not reported, net				
Balance as at 1 January	437,661	437,661	437,661	437,661
Increase in provisions made during the year	112,339	-	112,339	-
Balance as at 31 December	550,000	437,661	550,000	437,661
Total insurance liabilities	3,533,864	3,432,261	3,533,864	3,432,261

NOTE 15. EMPLOYEE ENTITLEMENTS

	Consolidated		Holding Company	
	2007	**2006 Restated**	**2007**	**2006 Restated**
	$	**$**	**$**	**$**
Provision for annual leave	27,004	37,574	22,588	28,288
	27,004	37,574	22,588	28,288

NOTE 16. SHARE CAPITAL

Authorised capital 10,000,000 ordinary shares of $0.50 each	5,000,000	5,000,000	5,000,000	5,000,000
Issued and paid up capital 5,760,774 ordinary shares of $0.50 each	2,880,387	2,880,387	2,880,387	2,880,387

Share Option

Kontiki Capital Limited holds option for acquiring 200,000 ordinary shares of the holding company with a strike price of 62.5 cents per share exercisable at any time up to 30 June 2008.

The above options have not been exercised as at the date of this report.

NOTE 17. RESERVES

Share premium (a)	216,668	216,668	216,668	216,668
	216,668	216,668	216,668	216,668

a) Share premium reserve relates to share issue proceeds received in prior years in excess of the par value of shares and is legally required by Section 60 of the Companies Act, 1983.

b) Revaluation reserve which previously related to the increment on the revaluation of leasehold land and buildings was transferred to retained earnings with effect from 1 January 2006 on the adoption of International Financial Reporting Standards (refer Note 32).

NOTE 18. PROFIT FROM OPERATIONS

	Consolidated		Holding Company	
	2007	2006 Restated	2007	2006 Restated
	$	$	$	$
Profit from operations has been determined after charging the following expenses:				
Auditors' remuneration for:				
- Audit fees	30,905	30,405	25,905	25,905
- Other services	16,381	12,925	12,081	10,360
Depreciation/amortisation	72,735	84,909	56,930	68,320
Directors' remuneration for:				
- Emoluments	210,560	211,772	210,560	186,772
- Bonus	60,000	-	60,000	-
- Fees	22,000	27,000	22,000	27,000
Bad debts	6,293	23,534	-	23,534
Doubtful debts	558	6,516	118,200	200,000
Loss on sale/disposal of plant and equipment	-	3,252	-	3,148
Fair value loss on investments, net	97,772	3,847	97,772	3,847
Management fees	379,712	158,429	379,712	158,429
Operating leases	209,545	197,396	164,419	140,671
Salaries, wages, FNPF, TPAF and allowances	493,643	536,543	446,967	475,195

NOTE 19. NOTES TO THE CASH FLOW STATEMENTS

a) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and balance with banks, and investments in money market instruments. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

Cash on hand and with banks	147,925	13,117	150,587	15,946
Short term deposit in bank	-	1,031,552	-	1,031,552
Total cash and cash equivalents	147,925	1,044,669	150,587	1,047,498

NOTE 20. EARNINGS PER SHARE

	Consolidated	
	2007	2006 Restated
	$	$
Net profit for the year used in calculating basic and diluted earnings per share	572,245	372,189
Weighted average number of ordinary shares outstanding used in calculating basic earnings per share	5,760,774	5,760,774
Weighted average number of ordinary shares outstanding used in calculating diluted earnings per share	5,768,466	5,794,107
Basic earnings per shares (par value $0.50)	9.93 cents	6.46 cents
Diluted earnings per shares (par value $0.50)	9.92 cents	6.42 cents

NOTE 21. COMMITMENTS

a) Capital expenditure as at 31 December 2007 amounted to $Nil (2006: $Nil)

	Consolidated		Holding Company	
b) Operating lease commitments contracted for office premises, motor vehicles and leasehold land are as follows:	**2007**	**2006 Restated**	**2007**	**2006 Restated**
	$	$	$	$
Not later than one year	180,180	199,742	164,883	142,782
Later than one year but not than two years	71,976	32,218	71,259	32,218
Later than two year but not later than five years	18,342	18,866	18,342	18,866
Later than five years	37,700	38,350	37,700	38,350
Total commitments	308,198	289,176	292,184	232,216

c) The holding company, FijiCare Insurance Limited, agreed to provide necessary financial support and adequate funds to FijiCare Medical Centre Limited to meet its liabilities as and when they fall due.

NOTE 22. CONTINGENT LIABILITIES

Contingent liabilities exist with respect to the following:

Indemnity guarantees	750	750	750	750
Litigations	132,303	172,187	132,303	172,187
	133,053	172,937	133,053	172,937

NOTE 23. SEGMENT INFORMATION

(a) Business segment

The holding company operates predominantly in the insurance industry underwriting medical, health and term life insurance risks.

		Medical and Health	Term Life	Clinic services	Others	Total
		$	$	$	$	$
Revenue	Dec 07	5,541,831	1,015,062	80,755	4,254	6,641,902
	Dec 06	6,296,682	1,510,591	261,827	1,492	8,070,592
Result						
Segment results	Dec 07	1,458,743	(529,195)	(98,603)	(37,764)	793,181
	Dec 06	939,816	(351,995)	(100,698)	1,253	488,376
Add: **Unallocated - Other Revenue :** Management fees, dividend, interest income and other income	Dec 07					430,280
	Dec 06					188,022
Less: **Unallocated – Expense**	Dec 07					425,968
	Dec 06					305,699
Total Results Before Tax	Dec 07					797,493
	Dec 06					370,699

NOTE 23. SEGMENT INFORMATION (CONT'D)

Segment Assets and Liabilities

Assets and liabilities cannot be reasonably allocated between the Medical and Health and Term Life business segments. Accordingly, this information has not been provided in the financial statements.

Additional Information

Similarly, depreciation and other non-cash items cannot be reasonably allocated between the Medical and Health and Term Life business segments. Accordingly, this information has not been provided in the financial statements.

(b) Geographical segment

The group operates in Fiji and is therefore one geographical area for reporting purposes.

NOTE 24. ACTUARIAL VALUATION

The holding company had obtained independent actuarial valuation of its insurance liabilities as at 31 December 2006. However, the holding company has not performed any actuarial valuation of its insurance liabilities as at 31 December 2007. However, the holding company has recognised additional provision of $112,339 during the year.

The actuarial valuation is to determine the adequacy of provision for outstanding claims including IBNR reserves maintained by the holding company.

Any additional provision or reduction in provision that may be required from the actuarial valuation has not been recognized in the financial statements as the effect cannot be quantified.

NOTE 25. RELATED PARTY TRANSACTIONS

(a) Ultimate holding company

The ultimate holding company is Family Assurance Holdings Limited, a company incorporated in Australia.

(b) Directors

The names of persons who were directors of the holding company at any time during the financial year are as follows:

Ross Porter – Chairman, FAICD	Peter McPherson, Grad Dip Mgt, JP (Aust.)
Carl Philip Thomas	Joeli Radio

NOTE 25. RELATED PARTY TRANSACTIONS (CONT'D)

(c) Holding company transaction with related parties

Transactions with related parties during the year ended 31 December 2007 with approximate transaction values are summarized as follows:

Transaction Type	Subsidiary Company	Other Related Entities
	$	$
Revenue:		
Management fees	-	9,000
Expenses:		
Management fees	-	379,712
Capitation and professional fees	116,153	-
Professional Indemnity Insurance	-	40,883

All transactions with related parties are conducted on commercial terms and conditions.

(d) Key management personnel

Details of compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

During the year the following persons were the directors and executives identified as key management personnel, with the greatest authority and responsibility for the planning, directing and controlling the activities of the holding company.

Name	Current title
Ross Porter	Chairman (Non-executive)
Peter McPherson	Managing Director (Executive)
Joeli Radio	Director (Executive)
Carl Philip Thomas	Director (Non-executive)

The aggregate compensation of the key management personnel comprises only short-term benefits and is set out below:

Executive directors – Total number - 2

	2007	2006 Restated
	$	$
Directors' fees	6,000	11,000
Directors bonus	60,000	-
Directors' emoluments	210,560	180,272
Housing benefit	30,000	12,077
Motor vehicle	1,923	2,000
	308,483	205,349

NOTE 25. RELATED PARTY TRANSACTIONS (CONT'D)

Non-executive directors – Total number - 2

	2007	2006 Restated
	$	$
Chairman's fees	10,000	10,000
Directors' fees	16,000	6,000

(e) Amounts due to, and receivable from related parties:

Appropriate disclosure of these amounts is contained in the respective notes to the financial statements.

NOTE 26. INVESTMENTS IN SUBSIDIARY COMPANY

Entity	Place of Incorporation	% Owned	Investment Book Value $
Subsidiary company			
FijiCare Medical Centre Limited	Fiji	100%	10,000

NOTE 27. PRINCIPAL ACTIVITIES

The principal activities of the holding company during the year were that of underwriting of medical, health, disability and term life insurance risks.

The principal activity of the subsidiary company, FijiCare Medical Centre Limited, during the year was operating medical clinics and medical centre.

NOTE 28. HOLDING COMPANY DETAILS

Company Incorporation

The holding company was incorporated in Fiji under the Companies Act, 1983.

Registered Office and Principal Place of Business

The registered office and principal place of business of the holding company is located at:

Level 9
FNPF Place
343-359 Victoria Parade
SUVA

Number of Employees

As at balance date, 30 employees were employed by the holding company.

NOTE 29. MATURITY ANALYSIS

The following analysis of monetary assets and liabilities as at 31 December 2007 is based on contractual terms.

31 December 2007-Consolidated

	At call	1 day to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	No specific maturity	Total
	$	$	$	$	$	$	$
Assets							
Cash and bank balances	147,925	-	-	-	-	-	147,925
Trade and other receivables	-	1,269,198	-	-	-	-	1,269,198
Assets classified as available-for-sale	-	-	-	-	-	509,368	509,368
Held-to maturity investments	-	1,450,000	1,579,560	1,825,000	200,000	-	5,054,560
Other assets	-	-	-	7,032	-	-	7,032
	147,925	2,719,198	1,579,560	1,832,032	200,000	509,368	6,988,083
Liabilities							
Trade and other payables	-	708,531	-	-	-	-	708,531
Provision for income tax	-	-	192,565	-	-	-	192,565
Insurance liabilities	-	-	-	-	-	3,533,864	3,533,864
	-	708,531	192,565	-	-	3,533,864	4,434,960

31 December 2006-Consolidated

	At call	1 day to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 Years	No specific maturity	Total
	$	$	$	$	$	$	$
Assets							
Cash and bank balances	13,117	-	-	-	-	-	13,117
Trade and other receivables	-	1,943,847	-	-	-	-	1,943,847
Assets classified as available-for-sale	-	-	-	-	-	1,039,000	1,039,000
Held-to maturity investments	-	2,706,551	817,142	200,000	200,000	-	3,923,693
Advance tax	-	-	-	-	-	40,000	40,000
Other assets	-	-	-	6,085	-	-	6,085
	13,117	4,650,398	817,142	206,085	200,000	1,079,000	6,965,742
Liabilities							
Trade and other payables	-	1,575,428	-	-	-	-	1,575,428
Insurance liabilities	-	-	-	-	-	3,432,261	3,432,261
	-	1,575,428	-	-	-	3,432,261	5,007,689

NOTE 30. INSURANCE CONTRACTS RISK MANAGEMENT

A key risk from operating in the general insurance industry is the exposure to insurance risk arising from underwriting general insurance contracts. The insurance contracts transfer risk to the insurer by indemnifying the policyholders against adverse affects arising from the occurrence of specified uncertain future events. The risk is that the actual amount of claims to be paid in relation to contracts will be different to the amount estimated at the time a product was designed and priced. The consolidated entity is exposed to this risk because the price for a contract must be set before the losses relating to the product are known. Hence the insurance business involves inherent uncertainty. The consolidated entity also faces other risks relating to the conduct of the general insurance business including financial risks (refer principally to Note 31).

A fundamental part of the overall risk management strategy is the effective governance and management of the risks that impact the amount, timing and uncertainty of the cash flows arising from insurance contracts.

(a) **Risk management objectives and policies for mitigating insurance risk**

The insurance activities primarily involve the underwriting of risks and the management of claims. A disciplined approach to risk management is adopted rather than a premium volume or market share oriented approach. It is believed this approach provides the greatest long term likelihood of being able to meet the objectives of all stakeholders, including policyholders, lenders and equity holders.

The risk management activities can be broadly separated into underwriting (acceptance and pricing risk), claims management and investment management. The objective of these risk management functions is to enhance the longer term financial performance of the overall insurance operations.

The key policies in place to mitigate risks arising from underwriting insurance contracts include the following:

- Acceptance of risk – Insurance and reinsurance policies are written in accordance with local management practises and regulations within each jurisdiction. Maximum limits are set for the acceptance of risk on an individual contract basis. Management information systems are maintained that provide up-to-date, reliable data on the risks to which the business is exposed at any point in time. Efforts are made, including plain language policy terms, to ensure there is no misalignment between what policyholders perceive will be paid when a policy is initially sold and what is actually paid when a claim is made.

- Pricing – Statistical models are used which combine historical and projected data to calculate premiums and monitor claims patterns for each class of business. The data used includes historical pricing and claims analysis for each class of business as well as current developments in the respective markets and classes of business.

- Reinsurance – The use of reinsurance to limit exposure to large single claims and the accumulation of claims that arise from the same event or the accumulation of similar events. This includes the monitoring of reinsurers' credit risk to control exposure to reinsurance counterparty default.

- Claims management – Initial claim determination is managed by claims officers with the requisite degree of experience and competence with the assistance, where appropriate, or other party with specialist knowledge. It is the company's policy to respond and settle claims quickly whenever possible and to pay claims fairly, based on the policyholders full entitlements.

- Investment management – Assets and liabilities are managed so as to effectively match the expected pattern of claims payments with the assets that are held to back insurance liabilities.

NOTE 30. INSURANCE CONTRACTS RISK MANAGEMENT (CONT'D)

(b) **Terms and conditions of insurance contracts**

The terms and conditions attaching to insurance contracts affect the level of insurance risk accepted. Insurance contracts are generally entered into on an annual basis and at the time of entering into a contract all terms and conditions are negotiable or, in the case of renewals, renegotiable. The majority of direct insurance contracts written are entered into on a standard form basis. Non-standard and long term policies may only be written if expressly approved by a person with appropriate delegated authority. There are no special terms and conditions in any non-standard contracts that would have a material impact on the financial statements.

(c) **Credit risk**

Financial assets or liabilities arising from insurance contracts are presented on the balance sheet at the amount that best represents the maximum credit risk exposure at the reporting date.

The credit risk relating to insurance contracts relates primarily to premium receivable which is due from individual policyholders and intermediaries (brokers and agents). The brokers and agents collect premium from policyholders and remit the monies to the insurer in accordance with contractual arrangements. The recoverability of premium receivable is assessed and provision is made for impairment based on objective evidence and having regard to past default experience.

(d) **Interest rate risk**

The underwriting of general insurance contracts creates exposure to the risk that interest rate movements may materially impact the value of the outstanding claims liability. Movements in interest rates impact the determination of the liability through the selection of discount rates. Discounting the liability is in effect allowing for future investment earnings on the assets held to back the insurance liabilities. The funds held to pay outstanding claims are invested principally in fixed interest securities matched to the settlement durations of the outstanding claims. Movements in market interest rates affect the value of the fixed interest securities. Hence movements in interest rates should have minimal impact on the insurance profit for a year due to movements in investment income on assets backing insurance liabilities offsetting the impact of movements in discount rates on the claims liabilities.

(e) **Operational risk**

Operational risk is the risk of financial loss (including lost opportunities) resulting from external events and/or inadequate or failed internal processes, people and systems to perform as required. Operational risk can have overlaps with all of the other risk categories. When controls fail, operational risks can cause damage to reputation, can have legal or regulatory implications or can lead to financial loss. The company and the group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, is able to manage risks.

Operational risk is identified and assessed on a ongoing basis and the capital management strategy includes consideration of operational risk. Management and staff are responsible for identifying, assessing and managing operational risks in accordance with their roles and responsibilities.

NOTE 31. FINANCIAL RISK MANAGEMENT

The group is exposed to a variety of financial risks in the normal course of business; market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk.

(a) Market risk

Market risk is the risk that fair value of or future cash flows of a financial instrument will fluctuate because of changes in market prices. Procedures are in place to mitigate the company's exposure to market risk.

(i) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The exposure to interest rate risk results from the holding of financial assets and liabilities in the normal course of business.

Fixed interest rate assets and liabilities create exposure to fair value interest rate risk which is a market risk. Holding company mitigates interest rate risk by maintaining an appropriate mix of instruments.

(b) Credit risk

Credit risk is the risk of loss from a counterparty failing to meet their financial obligations. The consolidated entity's credit risk arises predominantly from investment activities and reinsurance activities.

The credit risk relating to investments is monitored and assessed, and maximum exposures are limited. The investments comprising assets held to back insurance liabilities are restricted to investment grade securities.

(c) Liquidity risk

Liquidity risk is concerned with the risk of there being insufficient cash resources to meet payment obligations without affecting the daily operations or the financial condition of the consolidated entity. Liquidity facilitates the ability to meet expected and unexpected requirements for cash. The liquidity position is derived from operating cash flows, investment portfolios and access to outside sources of liquidity such as bank, reinsurance arrangements and other sources.

Sound liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. The nature of insurance activities means that the timing and amount of cash flows are uncertain.

Management of liquidity risk includes asset and liability management strategies. The assets held to back insurance liabilities consist predominantly of held-to-maturity investments. The assets are managed so as to effectively match the maturity profile of the assets with the expected pattern of claims payments.

NOTE 32 FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Holding company

The holding company has adopted IFRS with effect from 1 January 2006. An explanation of how the transition to IFRS affected the reported income statement, statement of changes in equity and balance sheet of the holding company is provided below:

The Accounting Policies set out in Note 1 have been applied in preparing the financial statements for the year ended 31 December 2007, the comparative information presented in these financial statements for the year ended 31 December 2006 and in the preparation of an opening balance sheet as at 1 January 2006 (the company's date of transition to IFRS).

In preparing its opening IFRS balance sheet, the holding company has adjusted amounts reported previously in financial statements prepared in accordance with previous Fiji Accounting Standards. The adjustments involve two types of changes: those concerning presentation and disclosure of items in the financial statements; and those concerning recognition and measurement of items in the financial statements.

An explanation of how the transition from previous Fiji Accounting Standards to IFRS has affected the holding company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Subsidiary company

The subsidiary company has adopted IFRS with effect from 1 January 2006. There was no adjustment on opening IFRS balance sheet or income statement. The amounts reported previously in financial statements prepared in accordance with previous Fiji Accounting Standards agreed to IFRS requirements.

(a) Comparative information

Comparative data for the year ended 31 December 2006 has been presented under IFRS. Adjustments were made at 1 January 2006 to restate the opening financial position to a position consistent with the Accounting Policies specified in Note 1. The adjustments required to restate comparative information in accordance with IFRS were a transfer of asset revaluation reserve to retained earnings in respect of previously revalued property, plant and equipment restated at "deemed cost"($203,261) and recognition of a deferred tax liability in respect of the related prior year revaluation increment ($60,329 effective 1 January 2006) and $1,249 (reduction in deferred tax credited to income tax expense in the income statement for the year ended 31 December 2006). These adjustments affect the net profit, deferred tax liability and shareholders' equity.

NOTE 32 FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)

(b) Effect of IFRS on the balance sheet as at 31 December 2006 - Consolidated

	As reported under FAS 31-Dec-2006	Effect of Transition	Restated balances under IFRS 31-Dec-2006
	$	$	$
CURRENT ASSETS			
Cash and bank balances	13,117	-	13,117
Trade and other receivables	1,943,847	-	1,943,847
Held-to-maturity investments	3,523,693	-	3,523,693
Deferred costs	529,984	-	529,984
Current tax asset	40,000	-	40,000
Other assets	6,085	-	6,085
Total current assets	**6,056,726**	**-**	**6,056,726**
NON-CURRENT ASSETS			
Assets classified as available-for-sale	1,039,000	-	1,039,000
Held-to-maturity investments	400,000	-	400,000
Property, plant and equipment	490,902	-	490,902
Deferred tax assets	45,970	-	45,970
Total non-current assets	**1,975,872**	**-**	**1,975,872**
TOTAL ASSETS	**8,032,598**	**-**	**8,032,598**
CURRENT LIABILITIES			
Trade and other payables	1,575,428	-	1,575,428
Employee entitlements	37,574	-	37,574
Insurance liabilities	3,432,261	-	3,432,261
Total current liabilities	**5,045,263**	**-**	**5,045,263**
NON-CURRENT LIABILITIES			
Deferred tax liability	3,172	59,080	62,252
Total non-current liabilities	**3,172**	**59,080**	**62,252**
TOTAL LIABILITIES	**5,048,435**	**59,080**	**5,107,515**
NET ASSETS	**2,984,163**	**(59,080)**	**2,925,083**
SHAREHOLDERS' EQUITY			
Issued capital	2,880,387	-	2,880,387
Share premium reserve	216,668	-	216,668
Revaluation reserve	203,261	(203,261)	-
Accumulated losses	(316,153)	144,181	(171,972)
TOTAL SHAREHOLDERS' EQUITY	**2,984,163**	**(59,080)**	**2,925,083**

NOTE 32 FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)

(c) Effect of IFRS on the balance sheet as at 31 December 2006 – Holding Company

	As reported under FAS 31-Dec-2006	Effect of Transition	Restated balances under IFRS 31-Dec-2006
	$	$	$
CURRENT ASSETS			
Cash and bank balances	15,946	-	15,946
Trade and other receivables	1,937,892	-	1,937,892
Held-to-maturity investments	3,523,693	-	3,523,693
Deferred costs	529,984	-	529,984
Current tax asset	40,000	-	40,000
Other assets	6,085	-	6,085
Total current assets	**6,053,600**	**-**	**6,053,600**
NON-CURRENT ASSETS			
Assets classified as available-for-sale	1,039,000	-	1,039,000
Held-to-maturity investments	400,000	-	400,000
Investment in subsidiary	10,000	-	10,000
Loans and advances	20,470	-	20,470
Property, plant and equipment	449,138	-	449,138
Deferred tax assets	107,970	-	107,970
Total non-current assets	**2,026,578**	**-**	**2,026,578**
TOTAL ASSETS	**8,080,178**	**-**	**8,080,178**
CURRENT LIABILITIES			
Trade and other payables	1,562,342	-	1,562,342
Employee entitlements	28,288	-	28,288
Insurance liabilities	3,432,261	-	3,432,261
Total current liabilities	**5,022,891**	**-**	**5,022,891**
NON-CURRENT LIABILITIES			
Deferred tax liability	3,172	59,080	62,252
Total non-current liabilities	**3,172**	**59,080**	**62,252**
TOTAL LIABILITIES	**5,026,063**	**59,080**	**5,085,143**
NET ASSETS	**3,054,115**	**(59,080)**	**2,995,035**
SHAREHOLDERS' EQUITY			
Issued capital	2,880,387	-	2,880,387
Share premium reserve	216,668	-	216,668
Revaluation reserve	203,261	(203,261)	-
Accumulated losses	(246,201)	144,181	(102,020)
TOTAL SHAREHOLDERS' EQUITY	**3,054,115**	**(59,080)**	**2,995,035**

NOTE 32 FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)

(d) Analysis of effect of transition on retained earnings

	Consolidated	Holding Company
	($)	($)
Retained earnings at 31 December 2005	(687,093)	(579,839)
Opening balance adjustment - 1 January 2006	142,932	142,932
Restated opening balance - 1 January 2006	(544,161)	(436,907)
Net impact on income statement for the year ended 31 December 2006	1,249	1,249

(e) Reconciliation of income statement for the year ended 31 December 2006 - Consolidated

	As reported under FAS 31-Dec-2006	Effect of Transition	Restated balances under IFRS 31-Dec-2006
	$	$	$
Insurance revenue	8,070,592	-	8,070,592
Incurred claims	(4,287,944)	-	(4,287,944)
Commission expenses	(1,263,700)	-	(1,263,700)
Other direct costs	(268,017)	-	(268,017)
Insurance profit	2,250,931	-	2,250,931
Other operating revenue	188,022	-	188,022
	2,438,953	-	2,438,953
Advertising and promotion expenses	(59,777)	-	(59,777)
Other operating expenses	(2,008,477)	-	(2,008,477)
	(2,068,254)	-	(2,068,254)
Operating profit before income tax	**370,699**	-	**370,699**
Income tax benefit	241	1,249	1,490
Net profit for the year	**370,940**	1,249	**372,189**

NOTE 32 FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)

(e) Reconciliation of income statement for the year ended 31 December 2006 – Holding Company

	As reported under FAS 31-Dec-2006	Effect of Transition	Restated balances under IFRS 31-Dec-2006
	$	$	$
Insurance revenue	7,808,765	-	7,808,765
Incurred claims	(4,418,667)	-	(4,418,667)
Commission expenses	(1,263,700)	-	(1,263,700)
Insurance profit	2,126,398	-	2,126,398
Other operating revenue	202,445	-	202,445
	2,328,843	-	2,328,843
Advertising and promotion expenses	(57,600)	-	(57,600)
Other operating expenses	(1,999,846)	-	(1,999,846)
	(2,057,446)	-	(2,057,446)
Operating profit before income tax	**271,397**	-	**271,397**
Income tax benefit	62,241	1,249	63,490
Net profit for the year	**333,638**	1,249	**334,887**

a) Statement of interest (direct and indirect) of each director in the share capital of the company as at 31 December 2007

Directors	Direct Interest (Number of Shares)	Indirect Interest (Number of Shares)
Ross Porter	-	3,129,758
Peter McPherson	5,447	295,265
Carl Philip Thomas	-	239,695
Joeli Radio	18	-

Distribution of ordinary shareholders:

No. of Holders	Holding	Total % Holding
13,267	Less than 500 shares	4.18
40	500 to 5,000 shares	0.96
10	5,001 to 10,000 shares	1.23
8	10,001 to 20,000 shares	1.82
4	20,001 to 30,000 shares	1.55
-	30,001 to 40,000 shares	-
-	40,001 to 50,000 shares	-
1	50,001 to 100,000 shares	0.90
8	100,001 to 1,000,000 shares	40.00
1	Over 1,000,000 shares	49.36
13,339	Total	100.00

b) Disclosure on the trading results of the subsidiary company under Section 7(4):

		FijiCare Medical Centre Limited	
		2007	**2006**
Sales revenue	$	196,908	392,550
Depreciation		15,805	16,589
Other expenses		279,706	476,659
Income tax expense		-	-
Net Loss after income tax	$	(98,603)	(100,698)

c) Share Register

FijiCare Insurance Limited
Level 9
FNPF Place
343-359 Victoria Parade
SUVA