Sagicor Group Jamaica Limited

Financial Statements
31 December 2015

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Independent Auditor's Report

To the Members of
Sagicor Group Jamaica Limited

Report on the Consolidated and Company Stand-Alone Financial Statements

We have audited the accompanying consolidated financial statements of Sagicor Group Jamaica Limited and its subsidiaries, set out on pages 1 to 184, which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, and the accompanying financial statements of Sagicor Group Jamaica Limited standing alone, which comprise the statement of financial position as at 31 December 2015 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated and Company Stand-Alone Financial Statements

Management is responsible for the preparation of consolidated and company stand-alone financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of consolidated and company stand-alone financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated and company stand-alone financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and company stand-alone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and company stand-alone financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and company stand-alone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated and company stand-alone financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and company stand-alone financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
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Opinion

In our opinion, the consolidated financial statements of Sagicor Group Jamaica Limited and its subsidiaries, and the financial statements of Sagicor Group Jamaica Limited standing alone give a true and fair view of the financial position of Sagicor Group Jamaica Limited and its subsidiaries and of Sagicor Group Jamaica Limited standing alone as at 31 December 2015, and of their financial performance and cash flows for the year then ended, so far as concerns the members of Sagicor Group Jamaica Limited, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal and Regulatory Requirements

As required by the Jamaican Companies Act, 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.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying consolidated and company stand-alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

PricewaterhouseCoopers

Chartered Accountants
March 15, 2016
Kingston, Jamaica

Sagicor Group Jamaica Limited

Consolidated Statement of Financial Position

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 $'000	2014 $'000
ASSETS			
Cash resources	6	7,527,747	21,073,597
Cash reserve at Central Bank	8	6,458,895	5,492,491
Financial investments	9	200,268,041	183,095,026
Derivative financial instruments	10	192,303	761,732
Loans & leases, after allowance for credit losses	11	43,761,061	38,808,049
Pledged assets	12	6,184,591	8,402,683
Investment properties	13	472,000	871,888
Investment in joint venture	14	759,115	738,718
Investment in associated company	16	4,869,225	-
Intangible assets	18	5,663,052	4,617,001
Property, plant and equipment	19	4,195,227	3,506,736
Reinsurance contracts	20	432,968	380,822
Retirement benefit assets	21	8,695	58,912
Deferred income taxes	22	4,652,992	3,018,293
Taxation recoverable	23	2,887,330	3,114,495
Other assets	24	12,056,685	10,275,370
TOTAL ASSETS		**300,389,927**	**284,215,813**

The accompanying notes on pages 12 – 184 form an integral part of these financial statements.

Sagicor Group Jamaica Limited
Consolidated Statement of Financial Position (Continued)
31 December 2015
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 $'000	2014 $'000
STOCKHOLDERS' EQUITY AND LIABILITIES:			
Stockholders' Equity Attributable			
Stockholders' of the Company			
Share capital	26	9,147,723	9,161,065
Equity reserves	27	(823,888)	6,413,536
Retained earnings		38,245,576	30,490,757
Total Equity		**46,569,411**	**46,065,358**
Liabilities			
Deposit and security liabilities	34	159,607,054	151,584,382
Derivative financial instruments	10	192,303	716,186
Taxation payable		570,635	714,632
Retirement benefit obligations	21	4,467,473	3,361,094
Other liabilities	35	11,365,871	10,631,301
Policyholders' Funds			
Insurance contracts liabilities	36	61,585,823	55,826,311
Investment contracts liabilities	37	12,971,978	12,348,035
Other policy liabilities	38	3,059,379	2,968,514
		77,617,180	71,142,860
Total Liabilities		**253,820,516**	**238,150,455**
TOTAL EQUITY AND LIABILITIES		**300,389,927**	**284,215,813**

Approved for issue by the Board of Directors on March 14, 2016 and signed on its behalf by:

Hon. R.D. Williams, O.J. — Chairman

Richard O. Byles — Director

The accompanying notes on pages 12 -184 form an integral part of these financial statements.

Sagicor Group Jamaica Limited

Consolidated Income Statement

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 $'000	2014 $'000
Revenue:			
Gross premium revenue	40	33,442,171	30,135,173
Insurance premium ceded to reinsurers	40	(959,757)	(966,385)
Net premium revenue	40	32,482,414	29,168,788
Net investment income	41	16,301,549	12,552,316
Fee and other income	42	6,214,079	3,909,119
Total revenue		**54,998,042**	**45,630,223**
Benefits:			
Insurance benefits incurred		19,360,940	17,508,793
Insurance benefits reinsured		(269,811)	(262,090)
Net insurance benefits	43	19,091,129	17,246,703
Net movement in actuarial liabilities	36(d)	4,777,174	5,523,213
Expenses:			
Provision for credit losses	11	171,635	225,107
Administration expenses	45	13,350,447	11,461,285
Commissions and sales expenses	46	4,203,287	3,875,268
Depreciation	19	349,322	276,989
Amortisation and impairment of intangible assets	18	417,760	737,499
Other taxes and levies	47(b)	966,857	640,023
		19,578,936	17,216,171
		43,327,611	**39,986,087**
Share of (loss)/profit from joint venture	14	(33,082)	6,310
Negative goodwill	57	(119,628)	3,211,180
Share of profit from associate	16	94,202	-
Profit before Taxation		**11,611,923**	**8,861,626**
Taxation	47(a)	(1,818,478)	(298,508)
NET PROFIT		**9,793,445**	**8,563,118**
Stockholders of the parent company		9,793,445	8,512,779
Non-controlling interests		-	50,339
		9,793,445	**8,563,118**
Earnings per stock unit for profit attributable to the stockholders of the company during the year:			
Basic and fully diluted	48	2.51	2.21

The accompanying notes on pages 12 -184 form an integral part of these financial statements.

Sagicor Group Jamaica Limited

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	2015 $'000	2014 $'000
Net profit for the year	**9,793,445**	**8,563,118**
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Available-for-sale investments:		
Unrealised (losses)/gains on available-for-sale investments	(7,138,754)	729,844
Gains reclassified and reported in profit in the Income Statement	(241,800)	(848,705)
Impairment losses on available-for-sale investments recognised and reported in the Income Statement	967,907	738,183
	(6,412,647)	619,322
Re-translation of foreign operations	533,919	570,118
Items that will not be subsequently reclassified to profit or loss		
Unrealised (loss)/gains on owner-occupied properties	(32,609)	80,549
Re-measurements of retirement benefits obligations	(441,970)	1,004,348
Total other income recognised directly in stockholders' equity, net of taxes	(6,353,307)	2,274,337
Total Comprehensive Income	**3,437,023**	**10,837,455**
Total Comprehensive Income attributable to:		
Stockholders of the parent company	3,437,023	10,721,799
Non-controlling Interests	-	115,656
	3,437,023	**10,837,455**

Items in the statement above are stated net of taxes. The income tax relating to each component of other comprehensive income is disclosed in Note 47(c).

Sagicor Group Jamaica Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

		\-----Attributable to stockholders of the parent----\					
	Note	**Share Capital**	**Equity Reserves (Note 27)**	**Retained Earnings**	**Equity Owners' Total**	**Non-controlling Interests Total**	**Grand Total**
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance as at January 1, 2014		7,854,938	5,343,433	22,727,470	35,925,841	1,695,002	37,620,843
Total comprehensive income for the year		-	1,204,672	9,517,127	10,721,799	115,656	10,837,455
Transactions with owners -							
Employee share option scheme – value of services provided		-	23,677	-	23,677	-	23,677
Employee stock grants and options exercised/expired		-	(6,693)	-	(6,693)	-	(6,693)
Issue of share capital		1,306,127	-	-	1,306,127	-	1,306,127
Purchase of non-controlling interest		-	-	504,532	504,532	(1,810,658)	(1,306,126)
Dividends paid to stockholers of the parent	32	-	-	(2,409,925)	(2,409,925)	-	(2,409,925)
Total transactions with owners		1,306,127	16,984	(1,905,393)	(582,282)	(1,810,658)	(2,392,940)
Transfers between reserves -							
To special investment reserve	2(r)	-	202,736	(202,736)	-	-	-
To retained earnings	2(s)	-	(92,906)	92,906	-	-	-
Adjustment between regulatory loan provisioning and IFRS	31(b)	-	(261,383)	261,383	-	-	-
Total transfers between reserves		-	(151,553)	151,553	-	-	-
Balance at 31 December 2014		9,161,065	6,413,536	30,490,757	46,065,358	-	46,065,358

The accompanying notes on pages 12 – 184 form an integral part of these financial statements.

Sagicor Group Jamaica Limited

Consolidated Statement of Changes in Equity (Continued)

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

		\--Attributable to stockholders of the parent--\					
	Note	**Share Capital**	**Equity Reserves (Note 27)**	**Retained Earnings**	**Equity Owners' Total**	**Non-controlling Interests Total**	**Grand Total**
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance as at January 1, 2015		9,161,065	6,413,536	30,490,757	46,065,358	-	46,065,358
Total comprehensive income for the year		-	(5,911,336)	9,351,474	3,440,138	-	3,440,138
Transactions with owners -							
Employee share option scheme – value of services provided		-	21,143	-	21,143	-	21,143
Employee stock grants and options exercised/expired		-	(92,773)	-	(92,773)	-	(92,773)
Dividends paid to owners of the parent	32	-	-	(2,851,113)	(2,851,113)	-	(2,851,113)
Transfer of treasury shares to employees	28	36,402	-	-	36,402	-	36,402
Purchase of treasury shares	28	(49,744)	-	-	(49,744)	-	(49,744)
Total transactions with owners		(13,342)	(71,630)	(2,851,113)	(2,936,085)	-	(2,936,085)
Transfers between reserves -							
To special investment reserve	2(r)	-	16,338	(16,338)	-	-	-
To retained earnings	2(s)	-	(23,872)	23,872	-	-	-
Adjustment between regulatory loan provisioning and IFRS	31(b)	-	(1,246,924)	1,246,924	-	-	-
Total transfers between reserves		-	(1,254,458)	1,254,458	-	-	-
Balance at 31 December 2015		9,147,723	(823,888)	38,245,576	46,569,411	-	46,569,411

Sagicor Group Jamaica Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015	2014
		$'000	$'000
Net profit		**9,793,445**	**8,563,118**
Adjustments for:			
Items not affecting cash and changes to policyholders' funds:			
Adjustments for non-cash items, interest and dividends	49(a)	(7,106,524)	(8,892,465)
Changes in other operating assets and liabilities	49(b)	188,566	23,549,941
Net investment purchases	49(c)	(23,143,653)	(19,588,803)
Interest received		18,479,964	14,579,571
Interest paid		(4,805,205)	(4,646,360)
Income taxes paid		(2,963,048)	(1,383,797)
Net cash (used in)/generated from operating activities		**(9,556,455)**	**12,181,205**
Cash Flows from Investing Activities			
Investment in joint venture	14	(17,688)	(41,105)
Investment in associate		(3,320,906)	-
Acquisition of subsidiary, net of cash acquired	57	-	6,022,237
Purchase of investment property	13	(12,888)	-
Purchase of property, plant and equipment, net	49(d)	(548,288)	(451,066)
Purchase of intangible assets, net	18	(1,460,387)	(164,623)
Net cash (used in) / provided by investing activities		**(5,360,157)**	**5,365,443**
Cash Flows from Financing Activities			
Dividends paid to stockholders		(2,851,113)	(2,409,925)
Net cash used in financing activities		**(2,851,113)**	**(2,409,925)**
Effect of exchange rate on cash and cash equivalents		556,009	1,970,456
(Decrease)/increase in cash and cash equivalents		(17,211,716)	17,107,179
Cash and cash equivalents at beginning of year		22,551,578	5,444,399
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	**5,339,862**	**22,551,578**

The accompanying notes on pages 12 –184 form an integral part of these financial statements

Sagicor Group Jamaica Limited

Company Statement of Financial Position

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015	2014
		$'000	**$'000**
ASSETS:			
Cash resources	6	93,417	6,685
Financial investments	9	1,766,045	5,466,100
Investment in associated company	16	3,305,560	-
Investment in subsidiaries	17 (b)	58,215,756	57,444,464
Intangible assets		1,197,386	5,875
Property, plant and equipment		189,608	298
Deferred income taxes	22	88,261	-
Taxation recoverable	23	161,938	60,763
Other assets	24	114,132	767,953
TOTAL ASSETS		65,132,103	63,752,138
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity Attributable			
Stockholders' of the Company			
Share capital	26	9,147,723	9,161,065
Equity reserves		26,395,535	26,541,998
Retained earnings		15,501,756	15,845,408
		51,045,014	51,548,471
Liabilities			
Promissory notes	34	12,347,661	11,525,678
Taxation payable		85,868	-
Other liabilities	35	1,653,560	677,989
Total Liabilities		14,087,089	12,203,667
TOTAL EQUITY AND LIABILITIES		65,132,103	63,752,138

Approved for issue by the Board of Directors on March 14, 2016 and signed on its behalf by:

Hon. R.D. Williams, O.J. Chairman

Richard O. Byles Director

The accompanying notes on pages 12 – 184 form an integral part of these financial statements

Sagicor Group Jamaica Limited

Company Income Statement

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 $'000	2014 $'000
Revenue:			
Net investment income	41	2,695,172	18,501,953
Management fees	1(f)	123,591	-
Other income		679	8,419
Total revenue		**2,819,442**	**18,510,372**
Expenses:			
Administration expenses	45	187,575	235,142
Depreciation	19	17,298	27
Amortisation of intangible assets	18	109,039	203
Other taxes		3	-
Asset tax		400	100
		314,315	**235,472**
Profit before Taxation		2,505,127	18,274,900
Taxation	47	2,334	(60)
NET PROFIT		**2,507,461**	**18,274,840**

The accompanying notes on pages 12 – 184 form an integral part of these financial statements

Sagicor Group Jamaica Limited

Company Statement of Cash Flows

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 $'000	2014 $'000
Net profit		**2,507,461**	**18,274,840**
Adjustments for:			
Items not affecting cash and changes to policyholders' funds:			
Adjustments for non-cash items, interest and dividends	49(a)	(2,567,872)	(18,470,625)
Changes in other operating assets and liabilities	49(b)	(2,146,095)	(36,691)
Net investment sales	49(c)	3,525,106	(5,327,502)
Interest received		562,293	104,465
Interest paid		(280,045)	-
Income taxes paid		(460)	(100)
Dividend received		2,832,526	17,373,268
Net cash generated from operating activities		**4,432,915**	**11,917,655**
Cash Flows from Investing Activities			
Investment in joint venture	14	-	(547,905)
Investment in subsidiaries		-	(101,000)
Acquisition of subsidiaries	56	-	(8,820,238)
Purchase of property, plant and equipment	19	(206,608)	(325)
Purchase of intangible assets	18	(1,300,550)	(6,078)
Net cash used in investing activities		**(1,507,157)**	**(9,475,546)**
Cash Flows from Financing Activities			
Dividends paid to stockholders		(2,851,113)	(2,409,925)
Net cash used in financing activities		**(2,851,113)**	**(2,409,925)**
Effect of exchange rate on cash and cash equivalents		907	-
Increase in cash and cash equivalents		75,552	32,184
Cash and cash equivalents at beginning of year		32,184	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	**107,736**	**32,184**

The accompanying notes on pages 12 – 184 form an integral part of these financial statements

Sagicor Group Jamaica Limited

Company Statement of Changes in Equity

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Equity Reserves	(Accumulated Deficit)/ Retained Earnings	Grand Total
		$'000	$'000	$'000	$'000
Balance at 1 January 2014		7,854,938	26,518,975	(19,488)	34,354,425
Total comprehensive income		-	6,039	18,274,821	18,280,860
Dividends paid to owners of parent	1(b)	-	-	(2,409,925)	(2,409,925)
Employee stock options		-	16,984	-	16,984
Group reorganization	1(b)	1,306,126	-	-	1,306,126
Balance at 31 December 2014		9,161,064	26,541,998	15,845,408	51,548,470
Total comprehensive income		-	(74,833)	2,507,461	2,507,461
Dividends paid to owners of parent	1(b)	-	-	(2,851,113)	(2,851,113)
Transfer of treasury shares to employees	28	36,402	-	-	36,402
Purchase of treasury shares	28	(49,744)	-	-	(49,744)
Employee stock options		-	(71,630)	-	(71,630)
	28	(13,342)			(84,972)
Balance at 31 December 2015		9,147,722	26,395,535	15,501,757	51,045,014

The accompanying notes on pages 12 – 184 form an integral part of these financial statements

Sagicor Group Jamaica Limited

Notes to the Financial Statements
31 December 2015
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

(a) Sagicor Group Jamaica Limited (SGJ, the company) is incorporated and domiciled in Jamaica and is listed on the Jamaica Stock Exchange. It is 32.45% (2014 – 32.45%) owned by LOJ Holdings Limited which is also incorporated and domiciled in Jamaica. The ultimate parent company is Sagicor Financial Corporation (SFC), which is incorporated and domiciled in Barbados. SFC has an overall interest of 49.11% (2014 – 49.11%) in the company. The other significant shareholder in SGJ is Pan-Jamaican Investment Trust Limited with a 31.55% (2014 – 31.55%) holding.

The registered office of the company is located at 28 - 48 Barbados Avenue, Kingston 5, Jamaica.

(b) Reorganisation

At an Extraordinary General Meeting held in September 2013, the stockholders of Sagicor Life Jamaica Limited (SLJ) unanimously approved the reorganization of the Sagicor Jamaica Group of Companies under a Scheme of Arrangement approved by the Supreme Court of Jamaica in accordance with the Jamaica Companies Act. In December 2013, the new holding company, Sagicor Group Jamaica Limited (SGJ) was listed on the Jamaica Stock Exchange and at the same time Sagicor Life Jamaica Limited was delisted. The existing shareholders of SLJ exchanged their shares for SGJ shares of equal value. At December 31, 2013, SLJ also transferred ownership of all subsidiaries, except for the Sagicor Investments Jamaica Limited and its subsidiaries, the Banking Group, directly to SGJ. The subsidiaries outside of Jamaica now report to SGJ through their immediate parent company, Sagicor St. Lucia Limited.

Effective May 2014, Sagicor Investments Jamaica Limited (SIJL) became a wholly owned subsidiary of SGJ, through a court approved scheme of arrangement. Previously, Sagicor Investments Jamaica Limited was owned 85.45% by Sagicor Life Jamaica Limited. At an Extraordinary General Meeting held in March 2014, the stockholders of Sagicor Investments Jamaica Limited (SIJL) unanimously approved the reorganization of the Sagicor Jamaica Group of Companies under a Scheme of Arrangement. The existing then minority shareholders of Sagicor Investments Jamaica Limited exchanged their SIJL shares for Sagicor Group Jamaica Limited (SGJ) shares in the ratio of 1.8 SGJ share for each SIJL shares held. The previously existing parent company, Sagicor Life Jamaica Limited exchanged its shares in SIJL for unsecured debenture bonds from SGJ. SIJL was subsequently delisted from the Jamaica Stock Exchange. The exchange of SIJL shares to SGJ shares took effect on 5 May 2014, pursuant to the order of approval from the Supreme Court. This allowed for the transfer of all the assets and liabilities (including reserves) of its other subsidiaries to the company, following which non-operating entities were automatically dissolved in accordance with separate schemes of arrangement. The affected entities were Manufactures Investments Limited, Pan Caribbean Asset Management Limited and Pan Caribbean Investments Limited.

Consequently SIJL transferred ownership of its banking subsidiary, Sagicor Bank Jamaica Limited to SGJ in May 2014. The consideration for the transfer of the subsidiary from SIJL to SGJ was effected by dividend distribution in specie and debenture bonds.

All subsidiaries are now wholly owned by Sagicor Group Jamaica Limited.

Sagicor Group Jamaica Limited
Notes to the Financial Statements
31 December 2015
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities (Continued)

(b) Reorganisation (continued)

As the reorganisation is a transaction among entities under common control, the Group has applied predecessor method of accounting. Under the predecessor method:

- The Group does not restate assets and liabilities to their fair values, instead the Group incorporates the assets and liabilities at the amounts recorded in the books of the combined companies, adjusted only to achieve harmonization of accounting policies.
- No goodwill arises.
- The consolidated financial statements incorporate the combined companies' results as if the companies had always been combined. Consequently, under predecessor accounting, the consolidated financial statements reflect both the companies' full year's results, even though the business combination may have occurred part of the way through the year.
- The corresponding amounts in the consolidated financial statements for the previous year reflect the results of the combined companies, even though the business combination did not occur until the current year.

(c) Acquisition of RBC Royal Bank (Jamaica) Limited

Sagicor Group Jamaica Limited (SGJ) acquired the entire share capital of RBC Royal Bank (Jamaica) Limited (RBC) and its subsidiary, RBTT Securities Limited on June 27th 2014 (Note 56).

Sagicor Bank Jamaica Jamaica Limited applied for and obtained approval for the transaction under the Banking Act and Regulations for the transfer of its entire business (including its assets, liabilities and entire undertaking) to Royal Bank Jamaica Limited (RBC) which changed its name to Sagicor Bank Jamaica Limited and became the surviving entity. The former entity Sagicor Bank Jamaica Limited changed its name to Sagicor SPV Limited to facilitate the progress of the surviving Banking entity. The entity known as RBTT Securities Jamaica Limited has changed its name to Sagicor Securities Jamaica Limited.

In compliance with the Banking Services Act, Sagicor Group Jamaica Limited acquired the remaining 80% of Sagicor Securities Jamaica Limited through a court approved Scheme of Arrangement in December 2015. Under the scheme, Sagicor Bank Jamaica Limited (formerly RBC):

(i) Re-organised its capital structure resulting in the elimination of accumulated deficit with the off-set in Share Capital and Capital Reserves.
(ii) Transferred all remaining assets and capital reserves in Sagicor SPV Limited to Sagicor Bank Jamaica Limited (formerly RBC).
(iii) Dissolved Sagicor SPV Limited (formerly Sagicor Bank Jamaica Limited).

Sagicor Group Jamaica Limited

Notes to the Financial Statements
31 December 2015
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities (Continued)

(e) The company, its subsidiaries and joint venture all have co-terminous year ends. The company's subsidiaries, joint venture and associate, which together with the company are referred to as "the Group", are as follows:

Subsidiaries, Joint Venture and Associate	Principal Activities	Incorporated In	Holding
Sagicor Life Jamaica Limited.	Health insurance, annuities, retirement products, pension administration and investment services	Jamaica	100%
Sagicor Investments Jamaica Limited	Investment banking	Jamaica	100%
Sagicor Bank Jamaica Limited	Retail banking	Jamaica	100%
Sagicor Securities Jamaica Limited	Securities trading	Jamaica	80%
Sagicor SPV Limited	Inactive	Jamaica	100%
Sagicor St. Lucia Ltd. and its joint venture company	Financial services (holding company)	St. Lucia	100%
• Sagicor Costa Rica SCR, S.A	Life insurance	Costa Rica	50%
• Sagicor Life of the Cayman Islands Ltd.	Life insurance	Grand Cayman	100%
• Sagicor Insurance Managers Ltd.	Captives management	Grand Cayman	100%
• Sagicor Re Insurance Ltd.	Property and casualty insurance (captive)	Grand Cayman	100%
Employee Benefits Administrator Limited.	Pension administration services	Jamaica	100%
Sagicor Property Services Limited	Property management, real estate sales and rentals	Jamaica	100%
Sagicor Pooled Investment Funds Limited	Pension fund management	Jamaica	100%
Sagicor Insurance Brokers Limited	Insurance brokerage	Jamaica	100%
Sagicor International Administrators Limited.	Group insurance administration	Jamaica	100%
Sagicor Real Estate X Fund Limited	Invest in real estate activities	St. Lucia	29.3%

(f) Shared Services

The Group operates a shared services organization through Sagicor Group Jamaica Limited with the provision of common services to member companies. The cost of these services is charged to each entity at cost based on volumes consumed.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities, investment property, certain property, plant and equipment, and financial assets and liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Standards, interpretations and amendments to existing standards effective during the current year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new interpretations and amendments, and has adopted the following, which are relevant to its operations:

IAS 19 (Amendment) – 'Defined Benefit Plans: Employee Contributions', (effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. There was no significant impact from adoption of this amendment during the year.

IAS 24, 'Related Party Disclosures', was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity. The adoption of these amendments effective 1 January 2015 did not have any significant impact on the Group's financial statements.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to existing standards effective during the current year (continued)

Annual Improvements 2012, (effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below). The improvements comprise changes to a number of standards, the following of which are relevant to the Group's operations. IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014. IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. There was no significant impact from adoption of these amendments during the year.

Annual Improvements 2013, (effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to a number of standards, of which the following are relevant to the Group's operations. IFRS 13 was amended to clarify that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9. IAS 40 was amended to clarify the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. The Group has applied the Standard effective 1 October 2014 but, there was no significant impact from its adoption of these amendments during the year.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which are not effective at the date of the statement of financial position, and which the Group has not early adopted. The Group has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

IFRS 9, 'Financial Instruments', (effective for annual periods beginning on or after 1 January 2018). In July 2014, the IASB issued IFRS 9 which is the comprehensive standard to replace *IAS 39 'Financial Instruments: Recognition and Measurement'*, and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect the asset's cash flows, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

IFRS 9, 'Financial Instruments' (continued)
The Group is still assessing the potential impact of adoption and whether it should consider early adoption but it is not possible at this stage to quantify the potential effect. The Group expects the following impacts following adoption of the standard.

The Group expects that, in many instances, the classification and measurement outcomes will be similar to IAS 39, although differences may arise, for example, since IFRS 9 does not apply embedded derivative accounting to financial assets. The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in population of financial assets measured at amortised cost or fair value compared with IAS 39.

Regarding credit loss provisioning, the Group expects that, as a result of the recognition and measurement of impairment under IFRS 9 being more forward-looking than under IAS 39, the resulting impairment charge may tend to be more volatile. It may also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39.

The Group does not currently adopt hedge accounting but may consider doing so in future under the simplifications under the new standard.

IFRS 16, 'Leases', (effective for annual periods beginning on or after 1 January 2019) was issued in January 2016 and replaces IAS 17, 'Leases'. A company can choose to apply IFRS 16 before the effective date but only if it also applies IFRS 15, 'Revenue from Contracts with Customers'. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 also requires enhanced disclosures to be provided by lessors and lessees that will improve information provided to users of the financial statements. The Group is considering the implications of the standard, the impact on the company and the timing of its adoption.

Amendments to IAS 16, 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets' - Clarification of Acceptable Methods of Depreciation and Amortisation, (effective for the periods beginning on or after 1 January 2016). In these amendments, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group does not expect any impact from the adoption of the amendments on its financial statements as it does not use revenue-based depreciation or amortisation methods.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

IFRS 15, 'Revenue from Contracts with Customers', (effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of future adoption of the new standard on its financial statements.

Amendments to IAS 27, 'Associates', (effective for annual periods beginning 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

IFRS 11, Joint Arrangements (effective for annual periods beginning on or after 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. The adoption of these amendments effective 1 January 2015 did not have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, (effective for annual periods beginning on or after 1 January 2016). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The adoption of these amendments effective 1 January 2015 did not have any significant impact on the Group's financial statements.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

Annual Improvements 2014, (effective for annual periods beginning on or after 1 January 2016). The amendments impact the following standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The adoption of these amendments effective 1 January 2015 did not have any significant impact on the Group’s financial statements.

Amendment to IAS 1, ‘Presentation of Financial Statements’, (effective for annual periods beginning on or after 1 January 2016). This amendment forms part of the IASB’s Disclosure Initiative, which explores how financial statement disclosures can be improved. It clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendment also clarifies that the share of other comprehensive income (OCI) of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss. The Group is currently assessing the impact of future adoption of the amendments on its financial statements.

Amendments to IAS 12, ‘Income Taxes, (effective for annual periods beginning on or after 1 January 2017). In January 2016, the IASB published amendments to IAS 12 clarifying specifically how to account for deferred tax assets related to debt instruments measured at fair value as well as clarifying the guidance for deferred tax assets in general by adding examples and elaborating on some of the requirements in more detail. The amendments do not change the underlying principles for the recognition of deferred tax assets. The Group does not expect any significant impact on its financial statements arising from the future adoption of the amendments.

Amendments to IAS 7, ‘Statement of Cash Flows’, (effective for annual periods beginning on or after 1 January 2017). In January 2016, the IASB published amendments to IAS 7 to improve information about an entity's financing activities. These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. The amendments require disclosure of information enabling users to evaluate changes in liabilities arising from financing activities including both cash and non-cash changes. The future adoption of these amendments will result in additional disclosure in the financial statements.

2. Summary of Significant Accounting Policies (Continued)

The financial statements are prepared in accordance with the following significant accounting policies:

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a majority voting interest. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are de-consolidated from the date on which control ceases.

All material intra-group balances, transactions and gains are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The Group uses the acquisition method of accounting when control over entities and insurance businesses is obtained by the Group. The cost of an acquisition is measured as the fair value of the identifiable assets given, the equity instruments issued and the liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any minority interest. Acquisition-related costs are expensed as incurred.

The excess of the cost of the acquisition, the non-controlling interest recognised and the fair value of any previously held equity interest in the acquiree, over the fair value of the of the net identifiable assets acquired is recorded as goodwill. If there is no excess and there is a shortfall, the Group reassesses the net identifiable assets acquired. If after reassessment, a shortfall remains, the acquisition is deemed to be a bargain purchase and the shortfall is recognised in income as a gain on acquisition.

2. Summary of Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

(i) Subsidiaries (continued)

Subsequent ownership changes in a subsidiary, without loss of control, are accounted for as transactions between owners in the statement of changes in equity.

Non- controlling interest balances represent the equity in a subsidiary not attributable to Sagicor's interests.

On an acquisition by acquisition basis, the Group recognises at the date of acquisition the components of any minority interest in the acquiree either at fair value or at the proportionate share of the acquiree's net identifiable assets. The latter option is only available if the minority interest component is entitled to a proportionate share of net identifiable assets of the acquiree in the event of liquidation. For certain components of minority interests, other IFRS may override the fair value option.

Non- controlling interest balances are subsequently re-measured by the minority's proportionate share of changes in equity after the date of acquisition.

Investments in subsidiaries are stated in the company's financial statements initially at cost less impairment. They are subsequently measured at fair value.

(ii) Change in ownership interests in subsidiaries without change in control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recoded in equity, Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Associates and Joint ventures

The investments in associated companies, which are not majority-owned or controlled but where significant influence exists, are included in these consolidated financial statements under the equity method of accounting. Investments in associated companies and joint ventures are originally recorded at cost and include intangible assets identified on acquisition. Accounting policies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The Group recognises in income its share of associate and joint venture companies' post acquisition income and its share of the amortisation and impairment of intangible assets which were identified on acquisition. Unrealised gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. The Group recognises in other comprehensive income, its share of post acquisition other comprehensive income.

2. Summary of Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

(iv) Long term Incentive Scheme
The company has established an Incentive Scheme which either acquires company shares on the open market, or is allotted new shares by the company. The Scheme holds the shares on behalf of employees until taken up. Until distribution to the employees, shares held by the Scheme are accounted for as treasury shares. All dividends received by the Scheme are applied towards the future purchase of company shares.

(c) Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the Group President and CEO.

(d) Foreign currency translation
(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in Jamaican dollars, which is the Group's presentation currency.

(ii) Transactions and balances
Foreign currency transactions or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined. These rates represent the weighted average rates at which the company trades in foreign currency.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as gains or losses from qualifying cash flow hedging instruments.

All foreign exchange gains and losses recognised in the income statement are presented net in the income statement within the corresponding item. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

2. Summary of Significant Accounting Policies (Continued)

(d) Foreign currency translation (continued)

(ii) Transactions and balances (continued)

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each income statement are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of stockholders' equity in the currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and borrowings are taken to stockholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise:

- cash balances,
- short term deposits,
- other liquid securities with maturities of three months or less from the acquisition date,
- bank overdrafts which are repayable on demand; and
- other borrowings from financial institutions made for the purpose of meeting cash commitments and which have maturities of three months or less from origination.

Cash equivalents are subject to an insignificant risk of change in value. Cash and cash equivalents exclude balances held to meet statutory requirements.

2. Summary of Significant Accounting Policies (Continued)

(f) Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

(i) Financial asset at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are initially recognised at fair value, which is the cash consideration to originate or purchase the loan including any transaction costs.

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be re-classified as available-for-sale. Held-to-maturity investments are initially recognised at fair value, which is the cash consideration including any transaction costs.

(iv) Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Available-for-sale investments are initially recognised at fair value, which is the cash consideration including any transaction costs.

Sagicor Group Jamaica Limited

Notes to the Financial Statements
31 December 2015
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(f) Financial assets (continued)

Purchases and sales of available-for-sale financial assets are recognised at the trade date – the date on which the Group commits the purchase or sell the asset. Loans and receivables are recognised when cash is advanced to the borrowers.

Subsequent to initial recognition at cost, financial assets at fair value through profit or loss and available-for-sale financial assets are carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in consolidated statement of comprehensive income, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in the consolidated statement of comprehensive income is recognised in profit or loss. However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payment is established.

The fair values amounts represents the price (or estimates thereof) that would be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidence by a quoted market value, if one exists. The estimate fair values of the financial assets are based on quoted bid prices of securities as at December 31 where available.

Financial assets are derecognised when the right to received cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished, that is, when the obligation is discharged, cancelled or expires.

The Group may choose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification. Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

2. Summary of Significant Accounting Policies (Continued)

(g) Investment properties

Investment property consists of freehold land and freehold properties which are held for rental income and/or capital appreciation.

Investment property is recorded initially at cost. In subsequent financial years, investment property is recorded at fair values determined by independent valuers, with the appreciation or depreciation in value being taken to investment income. Investment property includes property held under partnership and joint venture arrangements with third parties which are accounted for using the equity method.

Transfers to or from investment property are recorded when there is a change in use of the property. Transfers to owner-occupied property or to real estate developed for resale are recorded at the fair value at the date of change in use. Transfers from owner-occupied property are recorded at their fair value and any difference with carrying value at the date of change in use is dealt with in accordance with note 2 (m).

Investment property may include property of which a portion is held for rental to third parties and the other portion is occupied by the Group. In such circumstances, the property is accounted for as an investment property if the Group's occupancy level is not significant in relation to the total available occupancy. Otherwise, it is accounted for as an owner-occupied.

Rental income is recognised on an accruals basis.

(h) Securities purchased/sold under agreements to resell/repurchase

Securities purchased under agreements to resell (reverse repurchase agreements) and securities sold under agreements to repurchase (repurchase agreements) are treated as collateralised financing transactions and are recorded at the amount at which the securities were acquired or sold plus accrued interest.

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

2. Summary of Significant Accounting Policies (Continued)

(i) Leases

(i) As lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are recognised at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Each lease payment is allocated between the liability and interest charges so as to produce a constant rate of charge on the lease obligation. The interest element of the lease payments is charged to the income statement over the lease period.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(ii) As lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease in a manner which reflects a constant periodic rate of return on the net investment in the lease.

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned assets. Rental income is recognised on a straight-line basis over the lease term.

(j) Acceptances, guarantees, indemnities, letter of credit and undertakings

Acceptances, guarantees, indemnities and letters of credit and undertakings are various forms of contractual commitments to advance funds to or on behalf of customers and include:

(i) Obligations on the part of the Group to make payments (directly or indirectly) to a designated third party contingent upon a default by the Group's customer in the performance of an obligation under the terms of that customer's contract with the third party; and

(ii) Obligations to guarantee or stand as surety for the benefit of a third party.

Where the Group's obligations under acceptances, guarantees, indemnities and letters of credit and undertakings are not considered to be contingent, the amounts are reported as a liability in the statement of financial position. There are equal and offsetting claims against customers in the event of a call on these commitments, which are reported as an asset.

Where the Group's obligations are considered to be contingent, the amounts are disclosed in Note 55.

2. Summary of Significant Accounting Policies (Continued)

(k) Impairment of assets

(i) Assets carried at amortised cost – loans and advances and provisions for credit losses

Loans and advances are recognised when cash is advanced to borrowers. They are initially recorded at fair value and subsequently measured at amortised cost using the effective interest rate method.

Provision for credit losses determined under the requirements of IFRS

The Group continuously monitors loans or groups of loans for indicators of impairment. In the event that indicators are present, the loans or groups of loans are tested for impairment. A provision for credit losses is established if there is objective evidence of impairment. A loan or group of loans is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan (a 'loss event') and that loss event has reduced the estimated future cash flows of the loan and the amount of the reduction can be reliably estimated. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the obligor;
- default or delinquency in interest or principal payments;
- having to grant the borrower a concession that would not otherwise be considered due to the borrower's financial difficulty;
- the probability that the borrower will enter bankruptcy or other financial reorganisation; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from the loan portfolio since the initial recognition of the loans, although the decrease cannot yet be identified with the individual loan in the portfolio, including:
    i. adverse changes in the payment status of borrowers in the portfolio; and
    ii. national or local economic conditions that correlate with defaults on the loan portfolio.

The Group first assesses whether objective evidence of impairment exists individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a group of loans with similar credit risk characteristics and collectively assesses them for impairment. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the carrying amount of the loan and the present value of estimated future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan. For accounting purposes, the carrying amount of the loan is reduced through the use of a provision for credit losses account and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Group's grading process that considers loan type, industry, collateral type and past-due status). Those characteristics are relevant to the estimation of future cash flows for groups of such loans by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the loans being evaluated.

2. Summary of Significant Accounting Policies (Continued)

(k) Impairment of assets (continued)

(i) Assets carried at amortised cost loans and advances and provisions for credit losses (continued)

Provision for credit losses determined under the requirements of IFRS (continued)

Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans in the group. Losses over the preceding 12 months are used as a baseline to determine historical loss experience for loans with credit risk characteristics similar to those in the group. This historical loss experience is then adjusted, if necessary, to reflect broader economic trends over the most recent 24-month period with a 36-month look back period used on the highest risk portfolios. Finally, applicable adjustments are made on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of loans should reflect and be directionally consistent with changes in related observable data and management's assessment of changes in the economy from period to period (for example, changes in unemployment levels, property and motor vehicle prices, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is deemed uncollectible, it is written off against the related provision for credit losses. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the provision for credit losses. The amount of the reversal is recognised in the income statement.

Provision for credit losses determined under the Bank of Jamaica regulatory requirements

The effect of the provision for credit losses determined under the Bank of Jamaica regulatory requirements is to reserve capital. No amounts are booked to the income statement in respect of regulatory provisions. Provisions calculated based on regulatory requirements that exceed the amounts required under IFRS are transferred from retained earnings to a non-distributable loan loss reserve in stockholders' equity.

The provision for credit losses determined under the Bank of Jamaica regulatory requirements comprises a "specific provision", a "special provision" and a "general provision". The specific and special provisions are determined based on each specific loan for which problems have been identified. The general provision is considered to be prudential in nature and is established to absorb portfolio losses.

2. Summary of Significant Accounting Policies (Continued)

(k) Impairment of assets (continued)

(i) Assets carried at amortised cost loans and advances and provisions for credit losses (continued)

Provision for credit losses determined under the Bank of Jamaica regulatory requirements (continued)

The specific provision is established for the estimated net loss for all non-performing loans and performing loans that meet specified criteria. Loans are considered to be non-performing where a principal or interest payment is contractually 90 days or more in arrears. At the time of classification as non-performing, any interest that is contractually due but in arrears is reversed from the income statement and interest is thereafter recognised in the income statement on the cash basis only. The estimated net loss is defined as the net exposure remaining after deducting the estimated net realisable value of the collateral (as defined by and determined by the regulations) from the outstanding principal balance of the loan. The regulations quantify the specific provision at ranges from 20% to 100% of the estimated net loss of each non-performing loan depending on the length of time the loan has been in arrears. In addition, where a non-performing loan is fully secured but the collateral is unrealised for a period of 12 months, a provision of 50% of the amounts outstanding should be made. Where the collateral is unrealised for a further 6 months (with limited exceptions which allow for up to a further 15 months) a full provision is made. The regulations further require that the specific provision for each loan should not be less than 1% of the amounts outstanding.

In respect of loans that are considered sub-standard for reasons other than being non-performing, a special provision is established for the greater of 1% of the amounts outstanding or 20% of the estimated net loss.

A general provision is established for all loans (other than loans for which specific and special provisions were established) at 1% of the amounts outstanding.

(ii) Assets classified as available-for-sale

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. In this context, management considers a 40% decline in fair value below cost to be significant and a decline that has persisted for more than twelve months to be prolonged. For an available for sale security other than an equity security, which the Group can hold to maturity, determination of which asset is impaired includes consideration of the volatility of the fair value, and the financial condition and financial viability of the issuer.

If any such evidence of impairment exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from stockholders' equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

2. Summary of Significant Accounting Policies (Continued)

(k) Impairment of assets (continued)

(iii) Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

(iv) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2. Summary of Significant Accounting Policies (Continued)

(l) Property, plant and equipment

Freehold land and buildings owned and used by the Group are treated as owner-occupied properties. These properties are stated at their fair values based on valuations by external valuers, less subsequent depreciation for buildings. All other property, plant and equipment are stated at historical cost less accumulated depreciation.

Increases in the carrying amounts arising from the revaluation of owner-occupied properties are included in the investment and fair value reserves. Decreases that offset previous increases of the same asset are charged against the investment and fair value reserves. All other reductions are taken directly to the income statement.

Depreciation is calculated on the straight-line basis at annual rates that will write off the carrying value of each asset over the period of its expected useful life. Annual depreciation rates are as follows:

Freehold buildings	2.5%
Leasehold improvements	Period of lease, not to exceed ten years
Computer equipment	20 - 33⅓%
Furniture	10%
Other equipment	15%
Motor vehicles	20%
Leased assets	Shorter of period of lease or useful life of asset

Land is not depreciated.

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the income statement when the expenditure is incurred. On disposal of revalued assets, the revaluation amounts are transferred to retained earnings.

(m) Real estate developed for sale

Construction in progress for resale are classified as real estate held for resale and are valued at the lower of cost and net realisable value. Gains and losses realised on the sale of real estate are included in revenue at the time of sale.

2. Summary of Significant Accounting Policies (Continued)

(n) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries or associates and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, negative goodwill, in the case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Unit (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Contractual customer relationships

This asset represents the present value of the benefit to the Group from customer lists, contracts, or customers relationships that can be identified separately and measured reliably. Customer relationships include those of insurance and banking customer relationships with an estimated useful life of 10 to 20 years.

(iii) Trademarks and licences

Trademarks and licences are shown at historical cost. They have a definite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful life.

(iv) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their expected useful life of three years.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development team’s employee costs and an appropriate portion of relevant overheads. All other costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

Intangible assets with indefinite useful lives are assessed for impairment annually, or more frequently if events changed in circumstances indicate a potential impairment.

2. Summary of Significant Accounting Policies (Continued)

(o) Employee benefits

The group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

(i) Pension obligations

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset or liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the income statement.

For the defined contribution plan, the Group pays contributions to privately administered pension insurance plans on a contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are charged to the income statement in the period to which they relate.

(ii) Other post-retirement benefit obligations

The Group provides supplementary health, dental and life insurance benefits to qualifying employees upon retirement. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

2. Summary of Significant Accounting Policies (Continued)

(o) Employee benefits (continued)

(iii) Annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the year end date.

(iv) Share-based compensation

The Group operates an equity-settled, share-based compensation plan.

Share options

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each statement of financial position date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to over the remaining vesting period. The proceeds received net of any directly attributable transaction costs, plus the fair value of the options are credited to share capital when the options are exercised.

Share grants

The market value of the shares issued at grant date is recognised as an expense when granted.

Share purchase plan

Employees of the company are also eligible to purchase shares in the company under a share purchase plan.

(v) Productivity bonus plan

The Group recognises a liability and an expense for productivity bonuses as profit-sharing, paid to non-executive administrative staff based on a formula that takes into consideration the profit attributable to the company's stockholders. The Group recognises a provision where contractually obliged or where past practice has created a constructive obligation.

(vi) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary separation. Benefits falling due more than twelve months after the year end date are discounted to present value.

2. Summary of Significant Accounting Policies (Continued)

(p) Pension and investment funds

Insurers have issued deposit administration and units linked contracts in which full return of the assets supporting these contracts accrues directly to the contract-holders. As these contracts are not operated under separate legal trusts, they have been consolidated in these financial statements.

The Group manages a number of segregated pension funds, mutual funds and unit trusts. These funds are segregated and investment returns on these accrue directly to the unit-holders. Consequently the assets, liabilities and activity of these funds are not included in these consolidated financial statemnets.

(q) Share capital

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

(i) Share issuance cost
Incremental costs directly attributable to the issue of new shares or options are shown in stockholders' equity as a deduction from the proceeds.

(ii) Mandatorily redeemable preference shares are classified as liabilities (Note 2(u)).

(iii) Dividends on ordinary shares are recognised in stockholders' equity in the period in which they are approved by the company's Board of Directors.

Dividends for the year that are declared after the year end date are dealt with in the subsequent events note.

(r) Special investment reserve

Unrealised gains on investment properties are recorded in the income statement under IFRS. Regulatory reserve requirements are met through the following:

(i) Net unrealised gains brought forward at the beginning of each year are transferred from the special Investment reserve to retained earnings at 10%.

(ii) Net unrealised gains earned during the year are transferred from retained earnings to the special investment reserve at 90%.

(s) Transfers to retained earnings

Unrealised gain on quoted equities is recorded in the investment and fair value reserves under IFRS. Regulatory reserve requirements are met by transferring the following:

(i) Net unrealised gains brought forward at the beginning of each year are transferred from the investment and fair value reserves to retained earnings at 25%.

(ii) Net unrealised gains earned during the year are transferred from the investment and fair value reserves to the retained earnings at 25%.

2. Summary of Significant Accounting Policies (Continued)

(t) Financial Liabilities

During the ordinary course of business, the Group issues investment contracts or otherwise assumes financial liabilities that expose the Group to financial risk. The recognition and measurement of the Group's principal types of financial liabilities are disclosed in 2 (v) and in the following paragraphs.

Deposit liabilities

Deposits are recognised initially at fair value and are subsequently stated at amortised cost using the effective yield method.

Loans and other debts obligations

Loans and other debts obligations are recognised initially at fair value, being their issue proceeds, net of transaction costs incurred. Subsequently, obligations are stated at amortised cost and any difference net proceeds and the redemption value is recognised in the income statement over the period of the loan obligations using the effective yield method.

Obligations undertaken for the purposes of financing operations and capital support are classified as noted or loans payable and associated cost classified as finance costs. Loan obligations undertaken for the purposes of providing funds for on-lending, leasing or portfolio investments are classified as deposit and security liabilities and the associated cost is included in interest expense.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

Structured products

Structured products are recognised initially at the nominal amount when funds are received. Derivatives are separately accounted for at fair value through profit or loss (Note 2(bb)). The non-derivative elements are stated at amortised cost using the effective interest method.

(u) Insurance and investment contracts

(i) Classification

The Group issues policy contracts that transfer insurance risk and/or financial risk from the policyholder.

The Group defines insurance risk as an insured event that could cause an insurer to pay significant additional benefits in a scenario that has a discernable effect on the economics of the transaction. Insurance contracts transfer insurance risk and may also transfer financial risk. Once a contract has been classified as an insurance contract, it remains an insurance contract for its duration, even if the insurance risk reduces significantly over time. Investment contracts transfer financial risk and no significant insurance risk. Financial risk includes credit risk, liquidity risk and market risk.

A reinsurance contract is an insurance contract in which an insurance entity cedes assumed risks to another insurance entity.

2. Summary of Significant Accounting Policies (Continued)

(u) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

Insurance contracts and investment contracts issued by the Group are summarised below:

(1.1) Short-term insurance contracts
These contracts are casualty, property and short-duration life and health insurance contracts.

Casualty insurance contracts protect the Group's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the Group's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

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

For most of these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the year end date is reported as the unearned premium liability. Premiums are shown before deduction of commission.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders. They include claims settlement costs and arise from events that have occurred up to the year end date even if they have not yet been reported to the Group. Significant delays may be experienced in the notification and settlement of certain types of claims, particularly in respect of liability business, the ultimate cost of which cannot be known with certainty at the year end date. Provision for certain claims is therefore discounted using rates having regard to the returns generated by the assets supporting the liabilities. Liabilities for unpaid claims are estimated using case reserves, statistical analyses for the claims incurred but not reported and a provision for unallocated loss adjustment expenses.

(1.2) Long-term traditional insurance contracts -
These contracts are traditional participating and non-participating policies. The Group's participating policies do not have a discretionary participation feature (1.3) as the amount of additional benefits is not paid at the discretion of the Group.

2. Summary of Significant Accounting Policies (Continued)

(u) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

(1.2) Long-term traditional insurance contract (continued)

The policy reserves have been calculated using the Policy Premium Method (PPM) of valuation. Under this method, explicit allowance is made for all future benefits and expenses under the policies and expected earned investment income. The premiums, benefits and expenses for each policy are projected and the resultant future cash flows are discounted back to the valuation date to determine the reserves.

The process of calculating policy reserves necessarily involves the use of estimates concerning such factors as mortality and morbidity rates, persistency rates, future investment yields and future expense levels. Consequently, these liabilities include reasonable provisions for adverse deviations from the estimates.

An actuarial valuation is prepared at least annually. Changes in the policyholders' liabilities are recorded in the income statement.

Maturities and annuities are accounted for when due.

Death and disability claims and surrenders are recognised in the financial statements in the year in which they have been notified.

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

Benefits are recorded as an expense when they are incurred.

(1.3) Long-term insurance contracts without fixed terms and without discretionary participation features (DPF) –

A DPF is a contractual right to receive, as a supplement to the guaranteed benefit, additional benefits:

- That are likely to be a significant portion of the total contractual benefits;
- Whose amount or timing is contractually at the discretion of the issuer; and
- That are contractually based on:
    - The performance of a specified pool of contracts or specified type of contract; and
    - Realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
    - The profit or loss of the company, fund or other entity that issues the contract.

These contracts include interest-sensitive and unit-linked universal life type policies which are classified as insurance liabilities.

2. Summary of Significant Accounting Policies (Continued)

(u) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

(1.3) Long-term traditional insurance contract without fixed terms and with discretionary participation features (DPF) (continued)

A unit-linked insurance contract is an insurance contract with an embedded derivative linking payments on the contract to units of an internal investment fund set up by the Group with the consideration received from the contract holders. This embedded derivative meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

Revenue consists of fees deducted for mortality, policy administration and surrender charges. Interest or changes in the unit prices credited to the account balances and excess benefit claims in excess of the account balances incurred during the period are charged as expenses in the income statement.

Investment contracts without discretionary participatory feature (DPF) –
The Group issues investment contracts without fixed terms and DPFs because these contracts do not satisfy the requirements that the amount or timing of additional benefits is contractually at the discretion of the Group.

Investment contracts without fixed terms are financial liabilities whose fair value is dependent on the fair value of underlying financial assets and are designated at inception at fair value through the profit or loss.

Valuation techniques are used to establish the fair value at inception and each reporting date.

(1.4) Investment contracts without discretionary participatory feature (DPF)

The Group's main valuation techniques incorporate all factors that market participants would consider and are based on observable market data. The fair value of a unit-linked financial liability is determined using the current unit values that reflect the fair values of the financial assets contained within the Group's unitised investments funds linked to the financial liability, multiplied by the number of units attributed to the contract holder at the year end date.

If the investment contract is subject to a put or surrender option, the fair value of the financial liability is never less than the amount payable on surrender, discounted for the required notice period where applicable.

(iii) Amounts on deposit and deposit administration funds
These funds are managed by the company but are not legally separated from the general operations. The assets and liabilities of these funds are included in these financial statements. The company earns administration and investment fees on the management of these funds.

2. Summary of Significant Accounting Policies (Continued)

(u) Insurance and investment contracts (continued)

(iv) Liability adequacy test
At each year end date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities, using current estimates of the related expected future cash flows. If a test indicates that the carrying value of insurance contract liabilities is inadequate, then the liabilities are adjusted to correct the deficiency. The deficiency is included in the income statement under benefits.

(v) Reinsurance contracts held
Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables), as well longer term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

Actuarial liabilities arising from reinsurance are included as an insurance contract liability.

(vi) Receivables and payables related to insurance contracts and investment contracts
Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Group gathers the objective evidence that the insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

2. Summary of Significant Accounting Policies (Continued)

(v) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(w) Revenue recognition

(i) Premium income

Gross premiums for traditional life and health insurance contracts are recognised as revenue when due. Revenue for universal life products and annuity contributions are recognised when received. When premiums are recognised, the related actuarial liabilities are computed, resulting in benefits and expenses being matched with revenue.

Property and casualty insurance premiums are recognised on a pro-rated basis over the period of the respective policies. Unearned premiums are the proportion of net premiums written in the current year which relate to cover provided in the following year.

Where collection of premium is considered doubtful, or payment is outstanding for more than 90 days, the insurance regulations stipulate that the outstanding premium should be provided for in full. IFRS requires that when premiums become doubtful of collection, they are written down to their recoverable amounts and thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

(ii) Fee income

Fees consist primarily of investment management fees arising from services rendered in conjunction with the issue and management of investment contracts where the Group actively manages the consideration received from its customers to fund a return that is based on the investment profile that the customer selected on origination of the instrument. Fee income is recognised on an accrual basis. Loan origination fees for loans which are likely to be drawn down are deferred, together with related direct costs, and recognised as an adjustment to the effective yield on the loan. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

The Group charges customers for asset management and other related services using the following approaches:

- Front-end fees are charged to the client on inception. This approach is used particularly for single premium contracts. The consideration received is deferred as a liability and recognised over the life of the contract on a straight-line basis.

- Regular fees charged to the customer periodically either directly or by making a deduction from invested funds. Fees charged at the end of the period are accrued as a receivable that is offset against the financial liability when charged to the customer.

2. Summary of Significant Accounting Policies (Continued)

(w) Revenue recognition (continued)

(iii) Interest income

Interest income is recognised in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount or premium on treasury bills and other discounted instruments. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Jamaican banking regulations stipulate that, where collection of interest income is considered doubtful or payment is outstanding for 90 days or more, interest should be taken into account on the cash basis. IFRS require that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. The difference between the regulatory and IFRS bases of interest recognition was assessed to be immaterial.

(x) Interest and commission expense

(i) Interest expense

Interest expense is recognised in the income statement on an accrual basis using the effective yield method. Amounts paid under contracts with principally financial risk are recorded directly to the statement of financial position as an adjustment. The interest credited to these funds is recorded as an interest expense.

(ii) Commission expense

Commissions are expensed over the policy year on the same basis as earned premiums.

(y) Taxation

(i) Current and deferred taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2. Summary of Significant Accounting Policies (Continued)

(y) Taxation (continued)

(i) Current and deferred taxes (continued)
Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(z) Fiduciary activities
The Group acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

(aa) Financial instruments
Financial instruments carried on the statement of financial position include cash resources, investments, securities purchased under resale agreements, loans & leases, other assets, securities sold under repurchase agreements, due to banks and other financial institutions, customer deposits and other liabilities.

The fair values of the Group's and the company's financial instruments are discussed in Note 50.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(bb) Derivative financial instruments and hedging activities
Derivatives are financial instruments that derive their value from the price of underlying items such as equities, bonds, interest rates, foreign exchange, credit spreads, commodities or other indices. Derivatives enable users to increase, reduce or alter exposure to credit or market risk. The Group transacts derivatives for three primary purposes: to create risk management solutions for customers, for proprietary trading purposes, and to manage its own exposure to credit and market risk.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into, and subsequently are re-measured at their fair value at each statement of financial position. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates its interest rate.

swap as a cash flow hedge. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

2. Summary of Significant Accounting Policies (Continued)

(bb) Derivative financial instruments and hedging activities (continued)

For cash flow hedges, gains and losses relating to the effective portion of changes in the fair value of derivatives are initially recognised in stockholders' equity, in the fair value reserve, and are transferred to the income statement when the forecast cash flows affect the income statement. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in stockholders' equity are recycled to the income statement in the periods when the hedged item affects profit or loss. They are recorded in the revenue or expense lines in which associated with the related hedged item is reported.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in stockholders' equity at that time remains in stockholders' equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in stockholders' equity is immediately transferred to the income statement within net trading income'.

3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies

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

(a) Critical judgements in applying the Group's accounting policies

(i) Adoption of IFRS 10, 'Consolidation of financial statements'

Management assessments were done for the Sagicor Real Estate X Fund Limited, Sagicor Pooled Investment Fund and Sagicor Sigma Funds to ensure that changes made to IFRS 10 were properly implemented in accordance with the standard. A number of significant judgements were used regarding whether or not these entities had met the requirements to be consolidated within the financial statements of the Group and are highlighted below:

- Sagicor Real Estate X Fund Limited and Sagicor Pooled Investment Fund
  IFRS 10 does not establish bright lines as to what level of exposure definitely result in control and the assessment should be based on the relevant facts and circumstances. In determining whether a fund manager has control over the fund they manage, therefore, involves significant judgement. Management considers that the Group does not have control of Sagicor Real Estate X Fund Limited and Sagicor Pooled Investment Fund. Although the Group contractual terms provide the Group with influence over Sagicor Real Estate X Fund Limited and Sagicor Pooled Investment Fund Funds, management is of the view that the overall exposure of the Group to the variability of returns is not sufficient to conclude that the Group has control. Therefore, the Sagicor Real Estate X Fund Limited and Sagicor Pooled Investment Fund have not been consolidated in these financial statements. However, while the Group does not control Sagicor Real Estate X Fund, it has significant influence over the X Fund and therefore it is treated as an associate of the Group.

3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

(a) Critical judgements in applying the Group's accounting policies (continued)

- Sagicor Sigma Funds
  These are Unit Trusts managed by the Group, but which have independent trustees. Determining whether the Group has control over the Unit Trusts requires judgement. This would include a consideration of the trustees' rights to remove the investment manager and an assessment of the exposure to variability arising from the aggregate economic interests of the Group in the Unit Trusts.

  Under IFRS 10.B65, the single party substantive removal rights may in isolation be sufficient to conclude that the fund manager is an agent. We note that the language in the Trust Deed is not specific on causes for which the manager can be removed. "Good and sufficient reason" envisages by the Trust Deed may include negligence, poor financial performance and other reasons. However, the Deed also provides for appeal right for the manager. This appeal right and the requirement that the removal of the manger must be withheld by the independent party may limit the Trustee's freedom of removing the manager without good grounds for this. Under these circumstances, drawing a conclusion whether the removal rights of the Trustee are substantive rights requires significant judgement. Management considers that the Group does not have control of Sagicor Sigma Funds. Although the Group contractual terms provide the Group with influence over Sagicor Sigma Funds, the overall exposure of the Group to the variability of returns of Sagicor Sigma Funds is not sufficient to conclude that the Group has control. Therefore, the Sagicor Sigma Funds have not been consolidated in these financial statements.

(b) Key sources of estimation uncertainty

The Group makes estimates and assumptions that affect the reported assets and liabilities within the next financial year. The resulting accounting estimates will, by definition, seldom equal the related actual results. Areas of key sources of estimation uncertainty include the following:

(i) Insurance

- *The ultimate liability arising from claims made under insurance contracts*
  There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims.

  The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Group. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed for longevity risk.

Were the numbers of death in future years to increase per year by 3% for five years from management's estimate, the liability would increase by $3,222,894,000 (2014 - $3,043,719,000).

3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

(b) Key sources of estimation uncertainty (continued)

(i) Insurance (continued)

For contracts without fixed terms, it is assumed that the Group will be able to increase mortality risk charges in future years in line with emerging mortality experience.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments. Where the average future investment returns decrease by 0.5% for ten years from management's estimates, the insurance liability would increase by $15,615,774,000 (2014 - $14,429,908,000).

For long term insurance contracts, estimates of future deaths, voluntary terminations, investment returns and administration expenses are made and form the assumptions used for calculating the liabilities during the life of the contract. A margin for adverse deviation is added to these assumptions.

Were the actual lapse experience to differs by 200% (for products where the reserves increase with increases in lapse rates) or by 50% (for products where the reserves increase with decreases in lapse rates) of expected lapse experience the liability would increase by $4,817,340,000 (2013 - $4,742,506,000).

(ii) Pension and post-retirement benefits

The cost of these benefits and the present value of the pension and the other post-retirement liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pension and post-retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost (income) recorded for pension and post-retirement benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investments returns. The discount rate represents the interest rate that should be used to determine the present value of estimated future cash outflows required to meet the pension, life insurance and medical benefits as they fall due. The discount rate is based on yields on long term Government of Jamaica and CARICOM bonds. The expected rate of increase of medical costs is based on expected increases in utilisation and general increases in medical expenses above expected price inflation. Other key assumptions for the pension and post retirement benefits cost and credits are based in part on current market conditions.

3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

(b) Key sources of estimation uncertainty (continued)

(iii) Estimated impairment of intangible assets

Goodwill

The assessment of goodwill impairment involves the determination of the fair value of the cash-generating units to which the goodwill has been allocated. Determination of fair value involves the estimation of future net income of these business units and the expected returns to providers of capital to the business units and the Group as a whole.

Other intangible assets

The assessment of impairment of other intangible assets involves the determination of the intangible asset's fair value or value in use. In the absence of an active market for an intangible, its fair value may need to be estimated. In determining an intangible asset's value in use, estimates are required of future cash flows generated because of the assets.

(iv) Fair value of securities and investment in subsidiaries not quoted in an active market

The fair value of securities and subsidiaries not quoted in an active market may be determined using reputable pricing sources (such as pricing agencies), indicative prices from bond/debt market makers or other valuation techniques. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. The Group exercises judgement and estimates on the quantity and quality of pricing sources used. Where no market data is available, the Group may value positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. The inputs into these models are primarily discounted cash flows. The models used to determine fair values are periodically reviewed by experienced personnel. The models used for debt securities are based on net present value of estimated future cash flows, adjusted as appropriate for liquidity, and credit and market risk factors.

(v) *Income taxes*

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(vi) *Impairment of financial assets*

An available for sale debt security, a loan or a receivable is considered impaired when management determines that it is probable that all amounts due according to the original contract terms will not be collected. This determination is made after considering the payment history of the borrower, the discounted value of collateral and guarantees, and the financial condition and financial viability of the borrower.

The determination of impairment may either be considered by individual asset or by a grouping of assets with similar relevant characteristics.

3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

(b) Key sources of estimation uncertainty (continued)

(vii) *Purchase price allocation of a business combination*

In a business combination, the acquirer must allocate the cost of the business combination at the acquisition date by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at fair value at that date. The allocation is based upon certain valuations and other studies performed with the assistance of external valuation specialists. Due to the underlying assumptions made in the valuation process, the determination of those fair values requires estimations of the effects of uncertain future events at the acquisition date and the carrying amounts of some assets, such as intangible assets, acquired through a business combination could therefore differ significantly in the future.

As prescribed by IFRS 3 (revised), if the initial accounting for a business combination can be determined only provisionally by the end of the reporting period in which the combination is effected, the acquirer must account for the business combination using those provisional values and has a twelve month period from the acquisition date to complete the purchase price allocation. Any adjustment of the carrying amount of an identifiable asset or liability made as a result of completing the initial accounting is accounted for as if its fair value at the acquisition date had been recognised from that date. The purchase price allocation for the acquisition of RBC Bank (Jamaica) Limited has been finalised as described in Note 57.

4. Responsibilities of the Appointed Actuary and External Auditors

The Board of Directors pursuant to the Insurance Act appoints the Actuary whose responsibility is to carry out an annual valuation of the company's policy liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and stockholders. In performing the valuation, the Actuary makes assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the company and the insurance policies in force.

The stockholders pursuant to the Companies Act appoint the external auditors. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with International Standards on Auditing and report thereon to the stockholders. In carrying out their audit, the auditors also make use of the work of the appointed Actuary and the report on the policy liabilities.

5. Segmental Financial Information

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. "The Board of Directors is considered to be the Chief Operating Decision Maker (CODM)."

The Group is managed on a matrix basis, reflecting both line of business and geography. Accordingly, segment information is presented in two formats. The Group is organised into five primary business segments:

(a) Individual Lines - Provides life insurance, health and annuity products to individuals.

(b) Employee Benefits – Provides group life and creditor life, personal accident, group health, group annuities, pension funds investment and administration services and the administration of trust accounts.

(c) Commercial Banking – Comprises of personal banking, retail mortgages, small business (SME's) banking, treasury management and corporate banking.

(d) Investment Banking – Comprises of wealth management products and services offered to retail and institutional clients; including unit trusts, mutual funds, brokerage, asset management and corporate trust.

(e) Other – Comprises property management, captives management, general insurance, real estate development, hospitality services and stockholders' funds.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the statement of financial position, but exclude items such as taxation, retirement benefit assets and obligations and business development loans.

The Group measures the performance of its operating segments through a measure of segment profit or loss which is profit before taxation.

A measure of segment assets is only required to be disclosed if the measure is regularly provided to the chief operating decision-maker. Segment assets which are reviewed include those backing policyholders' fund and other interest-bearing assets.

Segment liabilities that are reviewed by the CODM include policyholders' fund and interest-bearing liabilities.

Costs incurred by the support units of the Group are allocated to the business segments based on certain criteria determined by management. These criteria include staff complement, square footage and time spent providing the service to the business segment. The expenses that are allocated are mainly staff costs, depreciation and amortisation and other operating expenses and are treated as direct allocated costs.

Transactions between the operating segments are on normal commercial terms and conditions. There has been no change in the basis of the pricing of transactions over the prior year.

Eliminations comprise inter-company and inter-segment transactions.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2015 or 2014.

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5. Segmental Financial Information (Continued)

	The Group						
	2015						
	Individual Lines	Employee Benefits	Commercial Banking	Investment Banking	Other	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenues	21,965,607	20,746,039	8,239,751	3,144,087	902,558	-	54,998,042
Revenue from other segments	503,259	201,420	10,166	(53,103)	508,488	(1,170,230)	-
Total revenue	22,468,866	20,947,459	8,249,917	3,090,984	1,411,046	(1,170,230)	54,998,042
Benefits and expenses	(14,383,073)	(13,862,817)	(5,871,808)	(1,050,795)	(2,073,623)	425,618	(36,816,498)
Change in actuarial liabilities	(2,459,221)	(2,633,010)	-	-	-	315,057	(4,777,174)
Depreciation	(74,384)	(35,463)	(155,100)	(25,434)	(58,946)	5	(349,322)
Amortisation of intangibles	(16,458)	(119,128)	(94,037)	(66,957)	(121,180)	-	(417,760)
Finance costs	-	-	-	-	(2,681)	2,681	-
Premium and other taxes	(36)	-	-	-	(3,036)	-	(3,072)
Asset tax	(234,223)	(111,741)	(198,263)	(203,823)	(215,735)	-	(963,785)
Total benefits and expenses	(17,167,395)	(16,762,159)	(6,319,208)	(1,347,009)	(2,475,201)	743,361	(43,327,611)
Share of loss from joint venture	-	(33,082)	-	-	-	-	(33,082)
Share of profit from associate	-	-	-	-	94,202	-	94,202
Negative Goodwill	-	-	-	-	(119,628)	-	(119,628)
Profit before taxation	5,301,471	4,152,218	1,930,709	1,743,975	(1,089,581)	(426,869)	11,611,923
Taxation	(317,332)	(778,351)	(605,811)	(319,927)	202,943	-	(1,818,478)
Net profit	4,984,139	3,373,867	1,324,898	1,424,048	(886,638)	(426,869)	9,793,445
Segment assets -							
Intangible assets	1,469,063	961,413	1,227,472	730,057	1,275,047	-	5,663,052
Other assets	43,778,285	55,561,311	94,867,382	81,158,590	25,359,081	(11,418,576)	289,306,073
	45,247,348	56,522,724	96,094,854	81,888,647	26,634,128	(11,418,576)	294,969,125
Unallocated assets -							
Investments in joint venture (Note 14)							759,115
Deferred income taxes (Note 22)							4,652,992
Retirement benefits asset (Note 21)							8,695
Total assets							300,389,927
Segment liabilities	36,754,238	45,482,882	77,483,339	73,939,167	27,140,948	(11,447,531)	249,353,043
Unallocated liabilities -							
Retirement benefit obligations (Note 21)							4,467,473
Total liabilities							253,820,516
Other segment items:							
Capital expenditure: Computer software (Note 18)							1,460,551
Property, plant and equipment (Note 19)							552,981

Sagicor Group Jamaica Limited
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5. Segmental Financial Information (Continued)

	The Group						
	2014						
	Individual Lines	Employee Benefits	Commercial Banking	Investment Banking	Other	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenues	18,563,096	19,863,717	3,829,301	2,468,657	905,452	-	45,630,223
Revenue from other segments	202,236	34,106	(8,671)	(63,359)	204,339	(368,651)	-
Total revenue	18,765,332	19,897,823	3,820,630	2,405,298	1,109,791	(368,651)	45,630,223
Benefits and expenses	(13,165,216)	(12,447,309)	(4,304,468)	(1,213,299)	(2,081,891)	403,824	(32,808,359)
Change in actuarial liabilities	(2,461,723)	(3,000,290)	-	-	-	(61,203)	(5,523,216)
Depreciation	(77,387)	(34,297)	(94,003)	(28,629)	(42,673)	-	(276,989)
Amortisation of intangibles	(16,946)	(120,682)	(42,576)	(544,146)	(13,150)	-	(737,500)
Finance costs	-	-	-	-	(20,077)	20,077	-
Premium and other taxes	(396,363)	(65,066)	(26,762)	(88,126)	(63,706)	-	(640,023)
Total benefits and expenses	(16,117,635)	(15,667,644)	(4,467,809)	(1,874,200)	(2,221,497)	362,698	(39,986,087)
Share of profit from joint venture	-	6,310	-	-	-	-	6,310
Negative Goodwill	-	-	-	-	-	-	3,211,180
Profit before taxation	2,647,697	4,236,489	(647,179)	531,098	(1,111,706)	(5,953)	8,861,626
Taxation	(199,917)	(295,831)	148,778	(145,806)	194,268	-	(298,508)
Net profit	2,447,780	3,940,658	(498,401)	385,292	(917,438)	(5,953)	8,563,118
Segment assets -							
Intangible assets	1,452,059	1,076,944	1,215,635	781,778	90,585	-	4,617,001
Other assets	44,193,419	52,301,771	84,012,525	88,613,041	17,863,669	(11,201,536)	275,782,889
	45,645,478	53,378,715	85,228,160	89,394,819	17,954,254	(11,201,536)	280,399,890
Unallocated assets -							
Investments in joint venture (Note 14)							738,718
Deferred income taxes (Note 22)							3,018,293
Retirement benefits asset (Note 21)							58,912
Total assets							284,215,813
Segment liabilities	38,147,676	41,395,190	68,482,274	80,529,408	17,450,482	(11,215,669)	234,789,361
Unallocated liabilities -							
Retirement benefit obligations (Note 21)							3,361,094
Total liabilities							238,150,455
Other segment items:							
Capital expenditure: Computer software (Note 18)							164,623
Property, plant and equipment (Note 19)							483,860

5. Segmental Financial Information (Continued)

The Group's geographic information:

	Jamaica	Cayman Islands	Other	Total
		2015		
	$'000	**$'000**	**$'000**	**$'000**
Revenue	51,772,850	3,673,173	(447,981)	54,998,042
Total assets	272,840,294	26,762,752	786,881	300,389,927
		2014		
	$'000	**$'000**	**$'000**	**$'000**
Revenue	43,183,551	2,899,048	(452,376)	45,630,223
Total assets	257,543,240	25,926,550	746,023	284,215,813

Geographically, the segments are Jamaica, Cayman Islands and Other (Costa Rica and St. Lucia).

Segment assets consist of investments that match insurance and banking liabilities, intangible assets and other operating assets such as receivables and cash. They exclude deferred income taxes, retirement benefit assets, investment in associates and investment in subsidiaries.

Segment liabilities comprise insurance liabilities, financial liabilities arising mainly from investment contracts and borrowing arrangements. They exclude items such as taxation, retirement benefit liabilities and business development loans.

6. Cash Resources

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Balances with banks payable on demand	4,937,679	18,261,238	93,417	6,685
Cash in hand	2,590,068	2,812,359	-	-
	7,527,747	21,073,597	93,417	6,685

7. Cash and Cash Equivalents

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Cash resources	7,527,747	21,073,597	93,417	6,685
Short term deposits	2,851,158	985,221	-	-
Securities purchased under resale agreements	720,177	2,674,078	14,319	25,499
Items in course of payment (Note 35)	(578,344)	(498,236)	-	-
Repurchase agreements with other financial institutions	(3,802,907)	(1,519,956)	-	-
Short term loans	(1,200,000)	-	-	
Bank overdrafts (Note 34)	(177,969)	(163,126)	-	-
	5,339,862	22,551,578	107,736	32,184

The amounts of $2,851,158 (2014: $985,221) represent deposits with original maturity of less than 90 days out of the total Group and short-term deposits of $2,895,130 (2014: $985,281).

8. Cash Reserves at Central Bank

A prescribed minimum of 26% (2014 - 26%) of deposit liabilities is required to be maintained by the banking subsidiary in liquid assets, of which 12% (2014 - 12%) must be maintained as cash reserve with the central bank, Bank of Jamaica for Jamaican dollar currency and for the relevant foreign currency at 9% (2014 – 9%). Cash reserves are not available for investment, lending or other use by the Group.

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9. Financial Investments

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Short term deposits	2,895,130	985,281		867
Financial assets at fair value through profit or loss -				
Government of Jamaica securities	3,069,866	4,694047	-	982,498
Corporate bonds	2,673,183	3,312,337	-	-
Quoted equity	1,451,682	2,382,693	-	-
Unquoted preference shares	505,100	330,201	-	-
Interest receivable	111,742	136,160	-	25,360
Foreign governments securities	177,089	57,045	-	-
Unit trust	13,229,310	10,415,716	-	-
	21,217,972	21,328,199	-	1,007,858
Available-for-sale -				
Government of Jamaica securities	67,142,062	62,112,631	362,169	771,806
Foreign governments securities	11,891,752	10,608,315	-	-
Corporate bonds	45,615,878	40,252,050	430,749	478,765
Credit Linked notes	-	2,763,247	-	-
Quoted equities	3,186,373	1,452,004	-	-
Unquoted equities	106,469	106,459	-	-
Unit trust shares	714,497	646,722	-	-
Interest receivable	2,194,186	1,701,849	18,493	29,982
	130,851,217	119,643,277	811,411	1,280,553
Loans and receivables -				
Government of Jamaica securities	37,204,023	37,835,160	919,296	3,101,721
Foreign governments securities	523,765	88,156	-	-
Corporate bonds	5,960,562	1,343,177	-	-
Securities purchased under resale agreement	964,671	3,587,204	31,174	25,499
Mortgage loans	2,681,710	2,189,363	-	-
Promissory notes	48,000	498,000	-	-
Policy loans	904,955	906,489	-	-
Interest receivable	737,521	765,332	3,972	49,602
	49,025,207	47,212,881	954,442	3,176,822
Held to maturity investments -				
Credit Linked notes	2,463,106	2,328,071	-	-
Less Pledged assets (Note 12)	(6,184,591)	(8,402,683)	-	-
Total Financial Investments	200,268,041	183,095,026	1,766,045	5,466,100

9. Financial Investments (Continued)

Included in quoted equities classified as available-for-sale are investments in Exchange Traded Funds (ETFs) by the Group totaling $3,964,625,000 (2014 - $2,093,018,000).

Credit linked notes are structured securities with embedded credit swaps allowing the issuer to transfer specific credit risks to the holder. The coupon or price of these note are linked to the performance of a specific Government of Jamaica security. Investors in these instruments are given higher yields for accepting exposure to specified credit events.

Included in Government of Jamaica debt securities is a Euro dollar promissory note which has been designated as financial asset at fair value through profit or loss. The Group has also entered into a cross currency swap to mitigate the currency risk associated with this security (Note 10).

The Group holds certain Government of Jamaica debt securities which were issued in February 2014 and mature in February 2024. The terms of these securities contain an investor put option exercisable in February 2018 under which the holder may require the Government of Jamaica to redeem the securities at 100% of the principal value plus any accrued interest. This embedded put option has not been separated but is recognised as part of fair value of the debt security. The initial recognition of the option is included in the determination of the "Loss on debt exchange transactions" and gains and losses on subsequent revaluations of the option are included in Note 40. The value of these options is $357,198,000 for the Group.

The Group recognised impairment charges totaling $967,906,000 (2014 - $738,183,000) on equity and debt securities (Note 41).

Included in financial investments are the following amounts which are pledged as collateral:

(i) Government of Jamaica Fixed Rate Benchmark Note with a carrying value of $9,000,000 (2014 - $9,000,000) which have been pledged by the company as security for uncleared effects with the National Commercial Bank Jamaica Limited by one of the company's subsidiaries, Sagicor Life Jamaica Limited.

(ii) Government of Jamaica Fixed Rate Benchmark Note with a carrying value of $90,000,000 (2014 - $90,000,000) which have been pledged by the company with the Regulator, the Financial Services Commission, pursuant to Section 8 of the Insurance Regulations, 2001 by one of the company's subsidiaries, Sagicor Life Jamaica Limited.

(iii) Kingdom of Bahrain bond with a carrying value of US$1,014,830, a Republic of Italy bond with a carrying value of US$1,227,750, a Government of Bermuda bond with a carrying value of US$1,091,170, a Common Wealth of Bahamas bond with a carrying value of US$2,388,672, a Government of Cayman Islands bond with a carrying value of US$1,794,800, Federal Republic of Brazil bonds with a carrying value of US$1,824,330, Government of Jamaica Global bonds with a carrying value of US$27,894,752, Petroleum Company of Trinidad & Tobago Limited Corporate bonds with a carrying value of US$2,999,659, a First Citizen Bank of Trinidad & Tobago bond with a carrying value of US$4,998,500, International Corporate bonds with a carrying value of US$10,264,268, a Peru Corporate bond with a carrying value of US$521,595 and Cash totalling US$1,353,668 have been pledged by the company as security for a loan facility of US$40,000,000 with Credit Suisse NY by one of the company's subsidiaries, Sagicor Life Jamaica Limited.

9. Financial Investments (Continued)

(iv) International bonds with a carrying value of US$61,073,923, a Government of Trinidad and Tobago bond with a carrying value of US$778,434, a Petroleum Company Trinidad and Tobago bond with a carrying value of US$1,040,610 and Government of Bahamas bonds with carrying value of US$3,672,738 pledged as security with Goldman Sachs International to secure a US$47,715,811 loan facility by one of the company's subsidiaries, Sagicor Life of the Cayman Islands Ltd.

(v) International bonds with carrying value of US$15,410,704, a Petroleum Company Trinidad and Tobago bond with a carrying value of US$3,483,670, a Government of Barbados bond with a carrying value of US$259,768, Equities with a carrying value of US$12,210,367, a Municipal bond with a carrying value of US$554,960, a Government of Panama bond with a carrying value of US$59,870, Federal Republic of Brazil bonds with a carrying value of US$5,040,798, an United States Treasury bond with a carrying value of US$662,500 and an Agency bond with a carrying value of US$511,106 pledged as security for margin loans of US$30,211,561 with Morgan Stanley Smith Barney by one of the company's subsidiaries, Sagicor Life of the Cayman Islands Ltd.

(vi) International bonds with a carrying value of US$48,447,158, International Municipal bonds with a carrying value of US$1,734,581, Federal Republic of Brazil bonds with a carrying value of US$17,792,638 and a Government of Jamaica bond with a carrying value of US$4,000,000 have been pledged as security for margin loans of US$67,770,767 with Morgan Stanley Smith Barney by one of the company's subsidiaries, Sagicor Life Jamaica Limited.

Reclassification of Financial Investments

In the financial year ended 31 December 2008, the Group reclassified certain investments from available-for-sale to loans and receivables due to the market for these securities becoming inactive in October 2008 and as allowed by the amendment to IAS 39. The market was deemed to be active again in December 2010, however the Group opted to retain the classification of these securities as loans and receivables.

Fair value reserve (Note 29) includes fair value losses in relation to the reclassified securities not yet derecognised as at the date of the statement of financial position amounting to $282,606,959 (2014 – $341,689,000).

9. Financial Investments (Continued)

Reclassification of Financial Investments (continued)

The carrying value (excluding accrued interest) and fair value of these securities as at the date of the statement of financial position were as follows:

	The Group			
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
	2015	**2015**	**2014**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Government of Jamaica securities	5,275,817	6,175,199	5,545,922	6,373,157
Other securities	43,651	41,639	88,156	55,946
	5,319,468	6,216,838	5,634,079	6,429,103

	The Group	
	2015	**2014**
	$'000	**$'000**
Cumulative net fair value gains/(losses) at beginning of year	273,309	(713,105)
Net fair value gains for the year	164,788	1,015,166
Disposals	34,010	25,354
Effect of exchange rate changes	15,149	(54,106)
Cumulative net fair value gains at end of year	487,256	273,309

There was no reclassification of financial assets during the year.

The following are included in the income statement for investments reclassified in 2008:

	The Group	
	2015	**2014**
	$'000	**$'000**
Interest income	516,332	509,614
Foreign exchange gains	242,077	399,658
	758,409	909,272

Fair value gains of $164,788,000 (2014 – ($1,015,166,000)) for the Group would have been recognised in other comprehensive income during the year had these securities not been reclassified.

10. Derivative Financial Instruments and Hedging Activity

Derivatives are carried at fair value and carried in the statement of financial position as separate assets and liabilities. Asset values represent the cost to the Group of replacing all transactions with a fair value in the Group's favour assuming that all relevant counterparties default at the same time, and that transactions can be replaced instantaneously. Liability values represent the cost to the Group counterparties of replacing all their transactions with the Group with a fair value in their favour if the Group was to default. Derivative assets and liabilities on different transactions are only set off if the transactions are with the same counterparty, a legal right of set-off exists and the cash flows are intended to be settled on a net basis. The fair values are set out below:

	The Group	
	2015	**2014**
Derivatives – Assets	**$'000**	**$'000**
(i) Cross currency swap	-	574,149
(ii) Equity indexed options	192,303	187,583
	192,303	761,732
Derivatives - Liabilities		
(i) Cross currency swap	-	528,783
(ii) Equity indexed options	192,303	187,403
	192,303	716,186

(i) Cross currency swap
Sagicor Investments Jamaica Limited entered into a currency swap with an initial notional principal amount of €45 million maturing in February 2015. Under the terms of this swap, the company pays Euro at a rate of 5% and receives 4.26% in US dollars on the notional principal amount.

(ii) Equity indexed options
These derivative instruments give the holder the ability to participate in the upward movement of an equity index while protecting from downward risk and form part of certain structured product contracts with customers (Note 33). Sagicor Investments Jamaica Limited is exposed to credit risk on purchased options only, and only to the extent of the carrying amount, which is their fair value.

11. Loans and Leases, after Allowance for Credit Losses

	The Group	
	2015	**2014**
	$'000	**$'000**
Gross loans and advances	45,293,828	40,798,047
Less: Allowance for credit losses	(1,766,230)	(2,305,325)
	43,527,598	38,492,722
Loan interest receivable	134,494	195,880
	43,662,092	38,688,602
Lease receivables	98,969	119,447
	43,761,061	38,808,049

The current portion of loans and advances amounted to $7,377,109,000 (2014 - $10,832,066,000) for the Group.

The movement in the allowance for credit losses determined under the requirements of IFRS is as follows:

	The Group			
	Loans		Leases	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Total non-performing loans/leases	2,252,154	3,515,775	7,767	13,767
Balance at beginning of year	2,305,325	236,632	2,260	15,721
On acquisition of subsidiary	-	1,791,095	-	-
Movement during the year -				
Charged against profit during the year	303,547	281,064	-	-
Recoveries of bad debts	(131,912)	(55,957)	-	(13,461)
Charged in the income statement	171,635	225,107	-	(13,461)
Recoveries	(747,745)	(21,371)	-	-
Currency revaluation adjustment	37,015	73,862	-	-
Balance at end of year	1,766,230	2,305,325	2,260	2,260

The provision for credit losses determined under Central Bank regulatory requirements was as follows:

	The Group	
	2015	**2014**
	$'000	**$'000**
Specific provision	1,443,316	2,817,008
General provision	530,675	457,454
	1,973,991	3,274,462
Excess of regulatory provision over IFRS provision recognised in the Bank reflected in non-distributable loan loss reserve (Note 31 (b))	1,421,097	174,173

11. Loans and Leases, after Allowance for Credit Losses (Continued)

Lease receivables:

	The Group	
	2015	**2014**
	$'000	**$'000**
Gross investment in finance leases -		
Not later than one year	77,343	86,054
Later than one year and not later than five years	53,088	62,000
	130,431	148,054
Less: Unearned income	(30,455)	(34,953)
Net investment in finance leases	99,976	113,101
Net investment in finance leases -		
Not later than one year	46,888	51,101
Later than one year and not later than five years	53,088	62,000
	99,976	113,101
Less: Provision for credit losses	(2,260)	(2,260)
Interest receivable	1,253	8,606
	98,969	119,447

12. Pledged Assets

Assets of the Group are pledged as collateral under repurchase agreements with customers and financial institutions. Mandatory cash reserves and investment securities are also held with the regulators, the Bank of Jamaica and the Financial Services Commission.

	The Group			
	Asset		Related Liability	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Placements with other banks pledged as collateral for letters of credit	-	-	-	-
Balance with regulators	124,448	127,066	-	-
Investment securities and securities sold under repurchase agreements	28,108,610	99,479,746	21,953,330	82,418,361
	28,233,058	99,606,812	21,953,330	82,418,361

Of the assets pledged as security, the following represents the total for those assets pledged for which the transferee has the right by contract or custom to sell or re-pledge the collateral.

	The Group	
	2015	**2014**
	$'000	**$'000**
Investment securities	6,184,591	8,402,683

13. Investment Properties

	The Group	
	2015	**2014**
	$'000	**$'000**
At beginning of year	871,888	782,345
Acquired during the year	12,888	181,054
Disposed during the year	(453,962)	-
Fair value gains/(losses)	20,144	(114,454)
Foreign exchange gains	21,042	22,943
At end of year	472,000	871,888

The investment properties as at 31 December 2015 were valued at current market value by Clinton Cunningham & Associates, qualified property appraisers and valuers.

Rental income and repairs and maintenance expenditure in relation to investment properties are as follows:

	The Group	
	2015	**2014**
	$'000	**$'000**
Rental income	34,965	18,486
Direct operating expenses	(44,507)	(40,503)

The valuations of investment property have been classified as Level 3 of the fair value hierarchy under IFRS 13, *Fair Value Measurement*. The valuations have been performed using a sales comparison approach but, as there have been a limited number of similar sales in the local market, incorporate unobservable inputs determined based on the valuators' judgement regarding size, age, condition and state of the local economy.

14. Investment in Joint Venture

	The Group	
	2015	**2014**
	$'000	**$'000**
At 1 January	738,718	639,235
Capital injection	17,688	41,106
Share of (losses)/gains	(33,082)	6,310
Movement in other reserves	35,791	52,067
At 31 December	759,115	738,718

At the end of 2015, the company's share of capital invested was US$6.77 million (2014-US$6.62 million).

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14. Investment in Joint Venture (Continued)

The joint venture has share capital consisting solely of common and nominative shares, which is held directly by the Group.

Sagicor Costa Rica, S.A. is a private company and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interest in the joint venture.

Summarised Financial Information of Joint Venture

Set out below are the summarized financial information for Sagicor Costa Rica, S. A. which is accounted for using the equity method.

Summarised Balance Sheet

	The Group	
	2015	**2014**
	$'000	**$'000**
Current assets		
Cash and cash equivalents	432,746	127,730
Other current assets	673,728	139,529
	1,106,474	267,259
Non-current assets		
Investments	463,462	1,190,628
Other non-current asset	27,366	17,158
	490,828	1,207,786
Total Assets	1,597,302	1,475,045
Current liabilities		
Provision for unearned premiums	219,378	104,072
Other liabilities	17,232	143,980
	236,610	248,051
Total Liabilities	236,610	248,051
Net Assets	1,360,692	1,226,994

14. Investment in Joint Venture (Continued)

Summarised Financial Information of Joint Venture (Continued)

Summarised statement of comprehensive income

	The Group	
	2015	**2014**
	$'000	**$'000**
Insurance revenue	687,798	183,029
Insurance expenses	(623,952)	(20,116)
Underwriting profit	63,846	162,913
Other income	44,766	92,957
Operating expenses	(170,760)	(243,251)
Net (loss)/profit	(62,148)	12,619
Taxation	(4,016)	-
	(66,164)	12,619
Other comprehensive income	(2,224)	28,272
Total comprehensive income	(68,388)	40,891

Reconciliation of summarised financial information

Opening net assets at 1 January	1,360,467	1,278,470
Capital injection	17,688	41,106
Net (loss)/profit for the period	(66,164)	12,619
Other comprehensive income	(2,224)	28,272
Closing net assets	1,309,767	1,360,467
Reconciliation of the Group's share of 50% net assets –		
Opening net assets at 1 January	738,718	639,235
Intangible assets including goodwill	20,397	99,483
Carrying value	759,115	738,718

15. Interest in Structured Entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Group. Such interests include holdings of debt or equity securities and investment management agreements. Structured entities are assessed for consolidation in accordance with the accounting policy set out in Note 3(a) (ii).

Consolidated Structured Entity
The Group has no consolidated structured entity

Unconsolidated Structured Entity
The Group established the Sagicor Real Estate X Fund Limited, Sagicor Pooled Investment Fund Limited and Sagicor Sigma Unit Trust (ten funds) to provide customers and pension funds with several investment opportunities.

(i) Sagicor Real Estate X Fund Limited
Sagicor Real Estate X Fund Limited has independent directors. The company is 67.71% owned by the Sagicor Pooled Investment Fund Limited, which is administered by the Group, through one of its subsidiaries, Sagicor Life Jamaica Limited. The company's only investment is units in one of the ten portfolios managed by Sagicor Sigma Unit Trust, the Sagicor Sigma Real Estate Portfolio. The fund manager for the ten funds operated by Sagicor Sigma Unit Trust is one of the Group subsidiaries, Sagicor Investments Jamaica Limited. The company main business activity is to invest in real estate activities.

During the year the company became an associate of the Group. See Note 16 for further details.

The Group has not provided any non-contractual financial support during the period and does not anticipate providing non-contractual support to the company in the future.

15. Interest in Structured Entities (Continued)

Unconsolidated Structured Entity (continued)

(ii) Sagicor Pooled Investment Fund
Sagicor Pooled Investment Fund Limited administers assets of the Pooled Pension Investment Funds which are held in trust on behalf of pension funds. The trust has independent trustees. The administration of the assets in trust is done by one of the Group's subsidiaries, Sagicor Life Jamaica Limited. The investment manager of these Funds is also one of the Group's subsidiaries, Sagicor Investment Jamaica Limited. Both the administration of the assets and the provision of investment management services entitled the Group to receive management fees based on the assets under management.

The table below shows the total assets of the company, the Group's interest in and income arising from involvement with the company as well as the maximum exposure to loss. The maximum exposure to loss from the Group's interests represents the maximum loss that the Group could incur as a result of its involvement with the company regardless of the probability of the loss being incurred. The income from the Group's interest includes recurring and non-recurring fees and any mark-to-market gains/losses on a net basis.

	The Group	
	2015 **$'000**	**2014** **$'000**
Total assets of the company	97,985,796	73,650,002
Maximum exposure to loss	12,324,426	8,150,172
Total income from the Group's interests	1,861,129	823,325

The Group has not provided any non-contractual financial support during the period and does not anticipate providing non-contractual support to the company in the future.

(iii) Sagicor Sigma Unit Trust
The Group established the Sagicor Sigma Unit Trust to provide customers with investment opportunities. The Unit Trust comprises ten portfolios.

The Unit Trust has an independent trustee. One of the Group's subsidiaries, Sagicor Investment Jamaica Limited is the investment manager of the Unit Trust and is entitled to receive management fees based on the assets under management. The Group also holds units in the Unit Trust.

The table below shows the total assets of the Unit Trust, the Group's interest in and income arising from involvement with the Unit Trust as well as the maximum exposure to loss. The maximum exposure to loss from the Group's interests represents the maximum loss that the Group could incur as a result of its involvement with the Unit Trust regardless of the probability of the loss being incurred. The income from the Group's interest includes recurring and non-recurring fees and any mark-to-market gains/losses on a net basis.

15. Interest in Structured Entities (Continued)

Unconsolidated Structured Entity (continued)

(iii) Sagicor Sigma Unit Trust (continued)

	The Group	
	2015	**2014**
	$'000	**$'000**
Total assets of the Unit Trust	68,772,847	59,186,399
The Group's interest – Carrying value of units held (included in available-for-sale investment securities – Note 10)	13,943,807	11,062,439
Maximum exposure to loss	(13,943,807)	11,062,439
Liability to the Unit Trust in relation to investment in repurchase obligations (included in repurchase obligations on the consolidated statement of financial position)	5,887,548	12,776,172
Total income from the Group's interests	1,146,773	552,944

The Group has not provided any non-contractual financial support during the period and does not anticipate providing non-contractual support to the Unit Trust in the future.

16. Investment in Associated Company

In September 2015, Sagicor Group acquired 598,134,700 Sagicor Real Estate X Fund shares, a 21% interest, by way of a non-renounceable rights issue at $6.95 per share. This acquisition took the Sagicor Group's holding to 29.3%. At December 2014, the Sagicor Group owned 12.30% which was diluted to 8% with the rights issue.

Sagicor Real Estate X Fund is an international business company incorporated under the International Business Act, 1999 (as amended) of Saint Lucia. Sagicor Real Estate X Fund is listed on the Jamaica Stock Exchange and its main activity is to invest in real estate.

Included in the carrying value for the investment acquired in this financial year is goodwill of $1,265,006,000 which has been provisionally determined, as allowed by IFRS 3. Should the finalized determination of the value of these intangibles in the next financial year be a materially different value, the financial statements will have to be restated during the next financial year.

There are no contingent liabilities relating to the Group's interest in the associated company.

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16. Investment in Associated Company (Continued)

(a) *The investment in associated company is represented as follows:*

	The Group	The Company
	2015	2015
	$'000	$'000
Investment, at cost	4,755,085	3,305,560
Share of:		
Income before taxes	88,072	-
Income taxes	6,130	-
	94,202	-
Other comprehensive income	19,938	-
Investment, end of year	4,869,225	3,305,560

(b) *Summarised Financial Information of Associated Company*

Set out below are the summarized financial information for Sagicor Real Estate X Fund Limited which is accounting for using the equity method.

Summary Balance Sheet

		The Group and the Company
		2015
		$'000
Current assets:	Cash and cash equivalents	2,396,101
	Other current assets	1,235,416
		3,631,517
Non-current assets:	Investments	10,831,875
	Other non-current asset	19,395,729
		30,227,604
Total Assets		33,859,121
Current liabilities:	Loans Payable	5,422,683
	Other liabilities	954,323
		6,377,006
Non-current liabilities:	Loan Payable	11,648,564
	Other liabilities	186,586
Total Liabilities		18,212,156
Net Assets		15,646,965

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16. Investment in Associated Company (Continued)

(b) Summarised Financial Information of Associated Company (Continued)

Summarised statement of comprehensive income

	The Group and The Company
	2015
	$'000
Revenue	5,570,529
Other operating income	1,041,611
Operating expenses	(5,146,991)
Net loss	1,465,149
Taxation	(167,754)
	1,297,395
Other comprehensive income	82,684
Total comprehensive income	1,380,079
Reconciliation of the Group's 29.3% interest:	
Share of net assets	4,584,561
Intangible assets including goodwill	284,664
Carrying value	4,869,225

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17. Investment in Subsidiaries

(a) Investment in subsidiaries

	2015 $'000	2014 $'000
Shares in:		
Sagicor Life Jamaica Limited (i)	34,257,354	34,257,354
Sagicor St. Lucia Limited (ii)	621,975	604,286
Sagicor Insurance Brokers Limited (ii)	33,181	33,181
Sagicor International Administrators Limited (ii)	5,783	5,783
Sagicor Property Services Limited (ii)	150,000	100,000
Sagicor Pooled Investments Limited (ii)	1	1
Sagicor Investments Jamaica Limited (iii)	10,742,300	10,742,300
Sagicor Bank Jamaica Limited (iii)	11,821,188	11,701,558
Sagicor Securities Jamaica Limited	583,974	1
	58,215,756	57,444,464

(i) Acquisition of Sagicor Life Jamaica Limited (SLJ) shares via share swap
As part of the Group's re-organisation (Note1(b)) in December 2013, the shareholders of SLJ exchanged their shareholdings for shares in Sagicor Group Jamaica Limited (SGJ) of same quantity and value. These SLJ shares were cancelled and new shares issued in the name of SGJ. SLJ therefore became a wholly owned subsidiary of SGJ.

(ii) Subsidiary shares acquired
As part of the Group's re-organisation on December 31, 2013, SGJ acquired all the outstanding shares of the subsidiaries formerly owned by SLJ excluding Sagicor Investments Jamaica Limited and its subsidiaries.

(iii) Acquisition of Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited
As part of the second phase of the Group's re-organization (Note 1(b) in May 2014, shares held in Sagicor Investments Jamaica Limited were transferred to Sagicor Group Jamaica Limited and $144,643,138 of Sagicor Group Jamaica Limited shares were issued to acquire the 14.55% minority shareholdings. Full ownership of Sagicor Investment Jamaica Limited and Sagicor Bank Jamaica Limited were therefore transferred to Sagicor Group Jamaica Limited.

(iv) Acquisition of Sagicor Securities Jamaica Limited (SSJL)
As part of the Group's re-organisation (Note1(b)) in December 2015, 80% interest held in SSJL by Sagicor Bank Jamaica Limited was transferred to Sagicor Group Jamaica Limited. The transfer was by way of debenture with the exchange value equivalent to 80% of net asset value of SSJL at December 31, 2015. SSJL became a wholly owned subsidiary of SGJ.

Sagicor Group Jamaica Limited

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18. Intangible Assets

	The Group				
	Goodwill	**Contractual Customer Relationship**	**Trade Names**	**Computer Software**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Cost -					
At 1 January 2014	2,131,990	3,414,499	473,433	845,445	6,865,367
Additions	-	-	-	164,623	164,623
On acquisition of subsidiary	-	1,139,000	-	-	1,139,000
Translation adjustment	44,008	-	-	304	44,312
At 31 December 2014	2,175,998	4,553,499	473,433	1,010,372	8,213,302
Additions	-	-	-	1,460,387	1,460,387
Disposal	-	-	-	(236,078)	(236,078)
Translation adjustment	29,800	-	-	243	30,043
At 31 December 2015	2,205,798	4,553,499	473,433	2,234,924	9,467,654
Amortisation -					
At 1 January 2014	-	1,695,355	473,433	681,070	2,849,858
Amortisation charge	-	234,947	-	74,869	309,816
Impairment Charge	-	427,683	-	-	427,683
Translation adjustment	-	8,646	-	298	8,944
At 31 December 2014	-	2,366,631	473,433	756,237	3,596,301
Amortisation charge	-	214,415	-	203,345	417,760
Relieved on Disposals	-	-	-	(209,534)	(209,534)
Translation adjustment	-	-	-	75	75
At 31 December 2015	-	2,581,046	473,433	750,123	3,804,602
Net Book Value -					
31 December 2014	2,175,998	2,186,868	-	254,135	4,617,001
31 December 2015	2,205,798	1,972,453	-	1,484,801	5,663,052

Amortisation charges of $417,760,000 (2014 - $309,816,000) have been included in expense for the Group.

18. Intangible Assets (Continued)

The Company

	Computer Software
	$'000
Cost -	
At 1 January 2014 and 31 December 2014	6,078
Additions	1,300,550
At 31 December 2015	1,306,628
Amortisation -	
At 1 January 2014 and 31 December 2014	203
Amortisation charge	109,039
At 31 December 2015	109,242
Net Book Value -	
31 December 2014	5,875
31 December 2015	1,197,386

Amortisation charges of $109,039,000 (2014 - Nil) have been included in expense for the Company.

18. Intangible Assets (Continued)

The allocation of goodwill to the Group's and the company's Cash Generating Units (CGUs) is as follows:

	The Group	
	2015	**2014**
	$000	**$000**
Sagicor Life Jamaica Individual Lines Division	855,191	855,191
Sagicor Life Jamaica Employee Benefits Division	530,126	530,126
Sagicor Life of the Cayman Islands Individual Lines Division	598,819	570,688
Sagicor Investments Jamaica Limited (formerly Pan Caribbean Financial Services Limited)	186,066	186,066
Sagicor Insurance Managers Ltd.	35,596	33,927
	2,205,798	2,175,998

At 31 December 2015, management tested goodwill and the unamortised balance of other purchased intangibles allocated to Sagicor Group Jamaica Individual Lines Division, Sagicor Life Jamaica Employee Benefits Division, Sagicor Life of the Cayman Islands Individual Lines Division, Sagicor Insurance Managers Ltd. and Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited for impairment.

The recoverable amounts of Sagicor Group Jamaica Individual Lines Division, Sagicor Group Jamaica Employee Benefits Division and Sagicor Life of the Cayman Islands Individual Lines Division CGUs are determined on the Capitalised Earnings Approach. These calculations use projected sustainable earnings based on audited earnings and financial budgets approved by management covering a three year period and the earnings multiples stated below.

The recoverable amounts of the non-life CGUs, Sagicor Investments Jamaica Limited, Sagicor Bank Jamaica Limited and Sagicor Insurance Managers Ltd. are determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three year period. Cash flows beyond the three year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates.

There was no impairment of any of the Group's CGUs.

Key assumptions used for the impairment calculations are as follows:

	Earnings Multiple	**Earnings Growth Rate**	**Capital Expenditure to EBT**	**Discount Rate**
Sagicor Life Jamaica Individual Life Division	7.4	-	-	-
Sagicor Life Jamaica Employee Benefits Division	7.8	-	-	-
Sagicor Life of the Cayman Islands Individual Life Division	8.0	-	-	-
Sagicor Investments Jamaica Limited	-	5.75%	9.00%	17.83%
Sagicor Bank Jamaica Limited	-	6.25%	9.00%	20.19%
Sagicor Insurance Managers Ltd.	-	2.00%	-	13.36%

Sagicor Group Jamaica Limited

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19. Property, Plant and Equipment

	The Group					
	Leasehold Buildings & Improvements	Freehold Land & Buildings	Furniture & Equipment	Motor Vehicles	Capital Works in Progress	Total
Cost or Valuation -	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 January 2014	610,779	896,746	1,531,665	104,340	-	3,143,530
Additions	109,263	8,855	326,142	39,601	-	483,860
On acquisition of subsidiary	107,837	1,492,687	1,519,560	23,545	-	3,143,629
Revaluation adjustments	-	76,439	-	-	-	76,439
Disposals	-	-	(1,143,464)	(4,550)	-	(1,148,014)
Translation adjustment	3,213	-	3,993	2,134	-	9,340
At 31 December 2014	831,092	2,474,727	2,237,896	165,070	-	5,708,784
Transferred from Investment properties	-	-	-	-	453,962	453,962
Additions	121,536	71,623	343,624	16,198	-	552,981
Revaluation adjustments	-	90,391	-	-	-	90,391
Disposals	(153,532)	-	(104)	(21,862)	-	(175,498)
Translation adjustment	2,171	-	2,699	(4,000)	-	870
At 31 December 2015	801,267	2,636,741	2,584,115	155,406	453,962	6,631,490
Accumulated Depreciation -						
At 1 January 2014	274,532	747	1,137,558	54,120	-	1,466,957
Charges for the year	67,872	21,649	165,555	21,842	-	276,918
On acquisition of subsidiary	62,918	214,027	1,295,538	19,125	-	1,591,608
Relieved on revalued assets	-	(9,251)	-	-	-	(9,251)
Relieved on disposals	-	-	(1,127,737)	(3,355)	-	(1,131,092)
Translation adjustment	1,530	-	3,362	2,016	-	6,908
At 31 December 2014	406,852	227,172	1,474,276	93,749	-	2,202,048
Charges for the year	70,115	33,388	221,087	24,732	-	349,322
Relieved on revalued assets	-	(11,662)	-	(556)	-	(12,218)
Relieved on disposals	(85,563)	-	(90)	(18,929)	-	(104,582)
Translation adjustment	1,295	-	2,430	(2,032)	-	1,693
At 31 December 2015	392,699	248,898	1,697,703	96,964	-	2,436,263
Net Book Value -						
31 December 2014	424,240	2,247,555	763,620	71,321	-	3,506,736
31 December 2015	408,568	2,387,843	886,412	58,442	453,962	4,195,227

19. Property, Plant and Equipment (Continued)

The Company

	Furniture & Equipment
Cost or Valuation -	**$'000**
At 1 January 2014 and 31 December 2014	325
Additions	206,608
At 31 December 2015	206,933
Accumulated Depreciation -	
At 1 January 2014 and 31 December 2014	27
Charges for the year	17,298
At 31 December 2015	17,325
Net Book Value -	
31 December 2014	298
31 December 2015	189,608

In accordance with the Group's policy, owner-occupied properties were independently revalued during the year by professional real estate valuators. The excess of the carrying value of these property, plant and equipment over the revaluation on such date, amounting to $102,053,720 (2014 - $931,378,372), has been credited to investment and fair value reserves. If revalued assets of the Group were stated on a historical cost basis, the amounts would be as follows:

	The Group	
	2015	**2014**
	$'000	**$'000**
Cost	565,102	837,215
Accumulated depreciation	(36,194)	(174,029)
Net book value	528,908	663,186
Carrying value of revalued assets	1,142,500	2,037,080

20. Reinsurance Contracts

	The Group	
	2015	**2014**
	$'000	**$'000**
Claims recoverable from reinsurers	290,154	211,973
Unearned premiums ceded to reinsurers	121,845	118,081
Reinsurers share of insurance liabilities	20,969	50,768
	432,968	380,822

The reinsurers' share of actuarial liabilities represents balances which are short-term and expected to be settled within one year.

21. Retirement Benefits

	The Group	
	2015	**2014**
	$'000	**$'000**
Retirement benefit assets -		
Pension scheme	8,695	58,912
Retirement benefit obligations -		
Pension scheme	1,341,748	702,611
Other post-retirement benefits	3,125,725	2,658,483
	4,467,473	3,361,094

Pension schemes comprised the following –

	2015	**2014**
	$'000	**$'000**
Retirement benefit assets	(8,695)	(58,913)
Retirement benefit obligations	1,341,748	702,611
	1,333,053	643,698

The Group operates the following pension plans:

(i) Sagicor Life Jamaica Limited operates a defined contribution plan for eligible sales agents and admin staff joining on or after August 1, 2009 and defined benefit plan for eligible administrative staff before August 1, 2009. The assets are held in a trust fund and are separate and apart from the assets of the company. The benefits for the DB plan are based on service and salary, whereas the benefits for agents are based on contributions and interest. The solvency level (the ratio of assets to past service liabilities) as at the last triennial funding valuation (2012) was 106%.

(ii) Sagicor Life of the Cayman Islands Ltd. participates in the Cayman Islands Chamber of Commerce Pension Plan. This plan is a money purchase contributory plan covering all the employees in the Cayman Islands. Contributions are vested immediately. The company contributes at a fixed rate of 7% of pensionable earnings.

(iii) Sagicor Investments Jamaica Limited and former Sagicor Bank Jamaica Limited operate a number of pension schemes covering all permanent employees. The assets of funded plans are held independently of the Group's assets in separate trustee administered funds. The solvency level (the ratio of assets to past service liabilities) as at the last triennial funding valuation (2013) was 99%.

(iv) Sagicor Bank Jamaica Limited, formerly RBC Bank Jamaica Limited, has a defined contribution plan covering all permanent employees. The solvency level (the ratio of assets to past service liabilities) as at the last triennial funding valuation (2013) was 107%.

The law requires each plan sponsor to be an ordinary annual contributor but does not stipulate a minimum funding rate or solvency level. In absence of guidance from the regulator, the actuaries have agreed on a minimum employer contribution rate of 0.25% of payroll per annum where plan rules do not specify a minimum.

The Trustees of the pension schemes ensure benefits are funded, benefits are paid, assets invested to maximise returns subject to acceptable investment risks while considering the liability profile.
Any plan surplus or funding deficiency for the defined benefits plans as determined by independent actuaries annually using the Projected Unit Credit Method are absorbed by the Group.

21. Retirement Benefits (Continued)

(a) Pension schemes

The amounts recognised in the statement of financial position are determined as follows:

	The Group	
	2015	**2014**
	$'000	**$'000**
Present value of funded obligations	16,652,537	13,006,849
Fair value of plan assets	(15,319,484)	(12,363,151)
Deficit of funded plan	1,333,053	643,698
Liability in the balance sheet	1,333,053	643,698

Movement in the present value of the defined benefit obligations recognised in the statement of financial position:

	The Group	
	2015	**2014**
	$'000	**$'000**
Liability	13,006,849	9,453,057
Liability assumed on acquisition of subsidiary	-	2,605,100
Current service cost	428,275	487,966
Interest cost	1,236,826	1,079,306
Net expense recognised in income	1,665,101	1,567,272
Re-measurements:		
Losses from changes in financial assumptions	894,313	-
Losses/(Gains) from changes in experience	767,101	(817,508)
Net losses recognised in other comprehensive income	1,661,414	(817,508)
Contributions by the members	450,733	444,289
Value of purchased annuities	903,372	257,483
Benefits paid	(1,034,932)	(980,247)
Past service cost	-	477,403
Net Liability, end of year	16,652,537	13,006,849

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21. Retirement Benefits (Continued)

(c) Pension schemes (continued)

Movement in the fair value of plan assets recognised in the statement of financial position:

	The Group	
	2015	**2014**
	$'000	**$'000**
Balance	12,363,151	8,301,868
Assets assumed on acquisition of subsidiary	-	2,545,713
Contributions made by the employer	344,714	362,631
Contributions by the members	450,733	444,289
Value of purchased annuities	903,372	257,483
Benefits paid	(1,034,932)	(980,247)
Interest income on plan assets	1,211,221	1,025,778
Re-measurement:		
Gains from changes in financial assumptions	171,026	-
Gains from changes in experience	910,199	405,636
Net gains recognised in other comprehensive income	1,081,225	405,636
Balance, end of year	15,319,484	12,363,151

The amounts recognised in the income statements as follows:

	The Group	
	2015	**2014**
	$'000	**$'000**
Current service cost	428,275	487,966
Past service cost	-	477,403
Interest cost on plan obligation	1,236,826	1,079,306
Interest income on plan assets	(1,211,221)	(1,025,778)
Total, included in staff cost (Note 45)	453,880	1,018,897

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21. Retirement Benefits (Continued)

(a) Pension schemes (continued)

The amounts recognised in other comprehensive income is as follows:

	The Group	
	2015	**2014**
	$'000	**$'000**
Change in financial assumptions	723,287	-
Experience adjustments	(143,098)	(1,223,144)
	580,189	(1,223,144)
Deferred tax	(221,183)	196,549
	359,006	(1,026,595)

The principal actuarial assumptions used were as follows:

	The Group	
	2015	**2014**
Discount rate - J$ benefits	8.50%	9.50%
Discount rate - US$ Indexed benefits	5.00%	6.50%
Net discount rate	8.50%	9.50%
Inflation	5.00%	5.50%
Administrative fees	0.50%	0.50%
Expected return on plan assets	9.50%	9.50%
Future salary increases	6.50%	6.00%
Future pension increases	2.00%	2.00%
Investment fees	-	1.00%
Administrative expenses	0.50%	1.00%
Minimum Funding Rate (MFR) as a % of payroll	0.25%	0.25%
Average expected remaining working lives (years)	17	17

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21. Retirement Benefits (Continued)

(a) Pension schemes (continued)

Pension plan assets are comprised as follows:

	The Group			
	2015		**2014**	
	$'000	**%**	**$'000**	**%**
Equities	2,764,739	18	2,266,663	18
Mortgages and real estate	2,385,984	16	1,517,094	12
Money market fund	1,970,276	13	596,882	5
Fixed income fund	1,832,288	12	2,479,573	20
Foreign currency fund	1,998,381	13	2,031,878	16
Global market fund	794,391	5	592,182	5
Diversified investment fund	166,726	1	534,121	4
Inflation-linked	763,272	5	697,146	6
	12,676,057	83	10,715,539	87
Value of purchased annuities	2,643,427	17	1,647,612	13
	15,319,484	100	12,363,151	100

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65.

21. Retirement Benefits (Continued)

(b) Other post-retirement benefits

In addition to pension benefits, the Group offers retiree medical and life insurance benefits that contribute to the health care and life insurance coverage of employees and beneficiaries after retirement. The method of accounting and frequency of valuations are similar to those used for defined benefit pension schemes.

The amounts recognised in the statement of financial position are determined as follows:

	The Group	
	2015	**2014**
	$'000	**$'000**
Present value of unfunded obligations	3,277,268	2,796,881
Fair value of plan assets	(151,543)	(138,398)
Liability in the statement of financial position	3,125,725	2,658,483

Movement in the amounts recognised in the statement of financial position:

	The Group	
	2015	**2014**
	$'000	**$'000**
Liability at beginning of year	2,796,881	1,634,467
Liability assumed on acquisition of subsidiary	-	1,035,659
Current service cost	142,153	154,192
Interest cost	262,852	281,412
Net expense recognised in income	405,005	435,604
Re-measurement:		
Losses from changes in financial assumptions	720,347	-
(Gains)/losses from changes in experience	(584,695)	35,763
Net losses recognised in other comprehensive income	135,652	35,763
Benefits paid	(60,270)	(45,983)
Curtailment gain	-	(157,335)
Post service cost	-	(141,294)
Net Liability, end of year	3,277,268	2,796,881

The principal actuarial assumption used was as follows:

	The Group	
	2015	**2014**
Rate of medical inflation	7%	8%

21. Retirement Benefits (Continued)

(b) Other post-retirement benefits (continued)

The amounts recognised in the income statements are as follows:

	The Group	
	2015	**2014**
	$'000	**$'000**
Current service cost	142,153	154,192
Curtailment gain	-	(157,335)
Past service cost	-	(141,294)
Interest cost	262,852	281,412
Benefits paid	(13,148)	(12,007)
Total, included in staff cost (Note 45)	391,857	124,968

The amounts recognised in other comprehensive income is as follows:

	The Group	
	2015	**2014**
	$'000	**$'000**
Change in financial assumptions	720,347	-
Experience adjustments	(584,695)	35,763
	135,652	35,763
Deferred tax	(52,688)	(13,516)
	82,964	22,247

Movement in the fair value of plan assets recognised in the statement of financial position:

	The Group	
	2015	**2014**
	$'000	**$'000**
Balance	138,395	126,388
Interest income on plan assets	13,148	12,010
Balance, end of year	151,543	138,398

21. Retirement Benefits (Continued)

(c) Plan risks

Through its defined benefit pension plans and post-employment medical plans, the Group is exposed to a number of risks. The Group does not use derivatives to manage its plan risks. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. Pensions are secured through the purchase of annuities. The remaining assets are invested in segregated pooled funds. The Group has not changed the processes used to manage its risks from previous periods.

The most significant of these plan risks are detailed below:

(i) Investment risk

The plan liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields. If plan assets underperform this yield, this will create a deficit.

The Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension scheme. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term assets with maturities that match the benefit payments as they fall due. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations.

(ii) Changes in bond yields

A decrease in Government of Jamaica bond yields will increase plan liability, although this will be partially offset by an increase in the return on plan's assets which are linked to debt investment.

(iii) Salary risk

The present value of the plan liabilities is calculated in reference to the future salaries of members. Therefore an increase in the salary of members will increase the plan's liability.

(iv) Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

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21. Retirement Benefits (Continued)

(d) Sensitivity tests

(i) The effect of a 1% increase/decrease in the medical inflation rate assumption:

	Decrease by 1% Increase/ (Decrease) in Health & Life benefits $'000	Increase by 1% Increase/ (Decrease) in Health & Life benefits $'000
Sagicor Life Jamaica Limited	(263,249)	339,363
Sagicor Property Services Limited	(6,990)	9,211
Sagicor Investments Jamaica Limited	(26,847)	37,301
Sagicor Bank Jamaica Limited	(257,693)	352,050
Total Group	(554,779)	737,925

(ii) Impact of a 1% increase/decrease in the discount rate assumption:

	Decrease by 1% Increase/ (Decrease) in Pension benefits $'000	Decrease by 1% Increase/ (Decrease) in Health & Life benefits $'000	Total $'000
Sagicor Life Jamaica Limited	1,010,564	369,896	1,380,460
Sagicor Property Services Limited	39,518	9,690	49,208
Sagicor Investments Jamaica Limited	87,883	39,051	126,934
Sagicor Bank Jamaica Limited	200,141	363,170	563,311
Total Group	1,338,106	781,807	2,119,913

21. Retirement Benefits (Continued)

(d) Sensitivity tests (continued)

(ii) Impact of a 1% increase/decrease in the discount rate assumption (Continued):

	Increase by 1% Increase/ (Decrease) in Pension benefits $'000	Increase by 1% Increase/ (Decrease) in Health & Life benefits $'000	Total $'000
Sagicor Life Jamaica Limited	(778,909)	(284,175)	(1,063,084)
Sagicor Property Services Limited	(30,163)	(7,265)	(37,428)
Sagicor Investments Jamaica Limited	(65,457)	(27,825)	(93,282)
Sagicor Bank Jamaica Limited	(160,686)	(262,869)	(423,555)
Total Group	(1,035,215)	(582,134)	(1,617,349)

(iii) Impact of a 1% increase/decrease in future salary increases:

	Decrease by 1% Increase/ (Decrease) in Pension benefits $'000	Decrease by 1% Increase/ (Decrease) in Health & Life benefits $'000	Total $'000
Sagicor Life Jamaica Limited	(348,186)	369,896	21,710
Sagicor Property Services Limited	(15,340)	659	(14,681)
Sagicor Investments Jamaica Limited	(35,006)	(1,097)	(36,103)
Sagicor Bank Jamaica Limited	(28,374)	(6,613)	(34,987)
Total Group	(426,906)	362,845	(64,061)

21. Retirement Benefits (Continued)

(d) Sensitivity tests (continued)

(iii) Impact of a 1% increase/decrease in future salary increases (Continued):

	Increase by 1% Increase/ (Decrease) in Pension benefits $'000	Increase by 1% Increase/ (Decrease) in Health & Life benefits $'000	Total $'000
Sagicor Life Jamaica Limited	412,055	(284,175)	127,880
Sagicor Property Services Limited	17,854	1,087	18,941
Sagicor Investments Jamaica Limited	40,296	1,306	41,602
Sagicor Bank Jamaica Limited	32,078	7,737	39,815
Total Group	502,283	(274,045)	228,238

(iv) Impact of a 1% increase/decrease in future pension increases:

	Decrease by 1% Increase/ (Decrease) in Pension benefits $'000	Increase by 1% Increase/ (Decrease) in Pension benefits $'000
Sagicor Life Jamaica Limited	(1,017,699)	1,191,875
Sagicor Property Services Limited	(16,906)	19,838
Sagicor Investments Jamaica Limited	(34,959)	41,025
Sagicor Bank Jamaica Limited	(373,679)	438,575
Total Group	(1,443,243)	1,691,313

21. Retirement Benefits (Continued)

(v) Impact of a 1 year change in life expectancy

	Decrease by 1 year Increase/ (Decrease) in Pension benefits $'000	Decrease by 1 year Increase/ (Decrease) in Health & Life benefits $'000	Total $'000
Sagicor Life Jamaica Limited	(176,406)	(59,014)	(235,420)
Sagicor Property Services Limited	(3,257)	(1,243)	(4,500)
Sagicor Investments Jamaica Limited	(4,756)	(3,199)	(7,955)
Sagicor Bank Jamaica Limited	(21,799)	(32,454)	(54,253)
Total Group	(206,218)	(95,910)	(302,128)

	Increase by 1 year Increase/ (Decrease) in Pension benefits $'000	Increase by 1 year Increase/ (Decrease) in Health & Life benefits $'000	Total $'000
Sagicor Life Jamaica Limited	174,220	58,783	233,003
Sagicor Property Services Limited	3,168	1,233	4,401
Sagicor Investments Jamaica Limited	4,567	3,171	7,738
Sagicor Bank Jamaica Limited	21,284	32,279	53,563
Total Group	203,239	95,466	298,705

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

21. Retirement Benefits (Continued)

The Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension scheme. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Bank has not changed the processes used to manage its risks from previous periods. The Group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2015 consists of bonds and equities.

The weighted average duration of the defined benefit obligation range from 32 years (2014 – 32 years) to 44 years (2014 – 35 years).

22. Deferred Income Taxes

Deferred income taxes are calculated in full on all temporary differences under the liability method using a principal rate of:

(a) 20% for the company;
(b) 25% (2014:15%) for Sagicor Life Jamaica Limited
(c) 33⅓% for Sagicor Investments Jamaica Limited
(d) 33⅓% for Sagicor Bank Jamaica Limited and
(e) 25% for Sagicor Property Services Limited

The subsidiaries incorporated in Grand Cayman operate under a zero tax regime.

Deferred tax assets and liabilities, net recognized on the statement of financial position are as follows:

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Deferred income tax assets, net	(4,652,992)	(3,018,293)	(88,261)	-
	(4,652,992)	(3,018,293)	(88,261)	-

The movement on the deferred income tax account is as follows:

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Balance as at 1 January	(3,018,293)	(296,963)	-	-
On acquisition of subsidiary	-	(2,707,682)	-	-
Charged/(credited) to the income statement (Note 46(a))	(160,015)	(366,225)	(88,261)	-
Tax charged/(credited) to components in other comprehensive income (Note 46(c))	(1,474,684)	353,577	-	-
	(4,652,992)	(3,018,293)	(88,261)	-

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22. Deferred Income Taxes (Continued)

The amounts shown in the statement of financial position included the following:

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets to be recovered after more than 12 months	(5,189,767)	(3,592,350)	(88,261)	-
Deferred tax liabilities to be settled after more than 12 months	784,716	1,603,445	-	-

Deferred income tax assets and liabilities are attributable to the following items:

	The Group		The Company	
	2015	**2014**	**2014**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Deferred income tax assets -				
Property, plant and equipment	(517)	(4,940)	-	-
Investment securities - available-for-sale	(1,488,481)	(159,456)	-	-
Trading Securities	(7,544)	(63,891)	-	-
Pensions and other post-retirement benefits	(1,253,567)	(787,138)	-	-
Interest payable	(205,506)	(17,725)	(165,009)	-
Tax losses unused	(2,332,782)	(2,772,092)	-	-
Derivatives	(28,048)	-	-	-
Other	(186,950)	(242,749)	-	-
	(5,503,395)	(4,047,991)	(165,009)	-
Deferred income tax liabilities -				
Property, plant and equipment	370,341	118,552	71,131	-
Trading securities	-	16,543	-	-
Investment securities - available-for-sale	29,267	34,486	-	-
Impairment losses on loans	65,505	586,236	-	-
Pensions and other post-retirement benefits	-	14,684	-	-
Interest receivable	276,588	117,978	5,617	-
Derivatives	12,999	-	-	-
Unrealised foreign exchange gains	95,703	130,793	-	-
Other	-	10,426	-	-
	850,403	1,029,698	76,748	-
Net deferred tax (asset)/liability	(4,652,992)	(3,018,293)	(88,261)	-

22. Deferred Income Taxes (Continued)

The movement in deferred tax assets and liabilities is as follows:

	The Group							
	Property, plant and equipment	**Fair value gains**	**Unused tax losses**	**Unrealised foreign exchange gains**	**Loan loss provision**	**Post-employment benefits**	**Other**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 January 2014	34,490	(388,272)	-	154,794	50,682	(164,497)	15,840	(296,963)
Acquisition	(271,278)	(1,372)	(2,247,667)	-	(385,360)	403,683	(205,688)	(2,707,682)
(Credited)/charged to income statement	345,258	100,272	(524,425)	(24,001)	920,914	(1,194,673)	10,430	(366,225)
Credited to other comprehensive income	5,142	164,402	-	-	-	183,033	-	352,577
At 31 December 2014	113,612	(124,970)	(2,772,092)	130,793	586,236	(772,454)	(179,418)	(3,018,293)
(Credited)/charged to income statement	121,547	(21,361)	439,310	(35,090)	(520,731)	(207,240)	63,550	(160,015))
Credited to other comprehensive income	134,665	(1,335,477)	-	-	-	(273,873)	-	(1,474,685)
At 31 December 2015	369,824	(1,481,808)	(2,332,782)	95,703	65,505	(1,253,567)	(115,868)	(4,652,992))

23. Taxation Recoverable

Taxes are withheld at 25% from interest payments on Government of Jamaica securities and other local bonds. The Group makes monthly filings to Tax Administration of Jamaica (TAJ) for recovery. Amounts approved by TAJ are refunded as cash flows allow. The amounts are expected to be recovered within one year of the financial statements date.

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24. Other Assets

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Due from sales representatives	619,925	526,322	-	-
Real estate developed for resale -				
Opening balance	689,851	887,328	-	-
Cost of sales	(90,001)	(212,728)	-	-
Additions during the year	38,220	15,251	-	-
	638,070	689,851	-	-
Premiums due and unpaid	1,838,516	1,803,437	-	-
Due from related parties (Note 24)	189,527	603,388	17,027	3,181
Due from Government Employees Administrative Scheme Only Fund and Government Pensioners Administrative Scheme Only Fund	1,283,454	351,542	-	-
Prepayments	1,004,765	1,164,556	23,186	501,432
Customer settlements accounts/unsettled trades	925,292	511,489	-	-
Legal claim	5,147,243	3,906,830	-	-
Other receivables	646,429	948,915	73,919	263,340
	12,293,221	10,506,330	114,132	767,953
Provision against doubtful receivables	(236,536)	(230,960)	-	-
	12,056,685	10,275,370	114,132	767,953

Real estate developed for sale relates to the construction of residential and commercial complexes.

25. Related Party Balances and Transactions

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party, in making financial or operational decisions.

The Group is controlled by Sagicor Financial Corporation, a company incorporated and domiciled in Barbados, which owns 49.11% (2014 – 49.11%) of the ordinary stock units. Pan-Jamaican Investment Trust Limited owns 31.55% (2014 – 31.55%) of the ordinary stock units. The remaining 19.34% (2014 – 17.45%) of the stock units is widely held.

Related companies include ultimate parent company, parent company, fellow subsidiaries and associated company. Related parties include directors, key management and companies for which the Group and its parent company provide management services. Pan-Jamaican Investment Trust Limited is a related party by virtue of being a shareholder with significant influence over the parent company. Related parties also include the Pooled Investment Funds and the Sagicor Sigma Funds managed by the Group.

(a) The statement of financial position includes the following balances with related parties and companies:

	The Group		The Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Due from related companies -				
Ultimate parent company	137,101	51,817	-	-
Subsidiaries	-	-	17,027	3,181
Parent company	45,056	44,796	-	-
Pooled pension Investments Funds	-	8,819	-	-
Other related companies	238	196,389	-	-
Other managed funds	7,132	301,567	-	-
	189,527	603,388	17,027	3,181

25. Related Party Balances and Transactions (Continued)

(a) The statement of financial position includes the following balances with related parties and companies (continued):

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Due to related companies -				
Parent company	111,117	15,639	-	-
Subsidiaries - promissory notes	-	-	12,347,66	11,525,67
Subsidiaries – other liabilities	-	-	1,579,577	645,192
Other related companies	639	860	-	-
Pooled	18,721	47,586	-	-
Other managed funds	82,283	17,468	-	-
	212,760	81,553	13,927,23	12,170,87

(b) The above balances include the following transactions with related parties and companies

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Parent company -				
Shared services fees	102,718	147,684	-	-
Party with significant influence over the group -				
Securities sold under agreements to repurchase	(262,446)	(301,565)	-	-
Customer deposits	(770,336)	(62,730)	-	-
Loans	1,592,464	49,478	-	-

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25. Related Party Balances and Transactions (Continued)

(c) The income statement includes the following transactions with related parties and companies:

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Sagicor Pooled Investment Funds -				
Lease rental expense	354,827	355,530	-	-
Management fee income	702,817	726,546	-	-
Administration fee income	287,580	287,534	-	-
Directors and key management personnel -				
Interest expense	1,377	3,329	-	-
Interest income	1,400	-	-	-
Other related parties -				
Management fees - subsidiaries	-	-	123,591	-
Interest recharged expense - subsidiaries	-	-	52,200	-
Interest expense - subsidiaries	-	-	(606,882)	(378,163)
Dividend in specie - subsidiaries	-	-	-	5,263,994
Dividend income - subsidiaries	-	-	2,832,526	13,373,598
Interest and other income earned	603,189	331,077	-	-
Key management compensation -				
Salaries and other short term benefits	355,587	364,734	-	-
Share based payments	138,189	84,428	-	-
Contributions to pensions and insurance schemes	26,452	25,200	-	-
	520,228	474,362	-	-

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25. Related Party Balances and Transactions (Continued)

(c) The income statement includes the following transactions with related parties and companies (continued):

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Directors' emoluments -				
Fees	-	-	26,783	12,600
Other expenses	-	-	1,309	252
Management remuneration (included above)	-	-	137,702	113,483
	-	-	164,794	126,335
Party with significant influence over the group -				
Rent and net lease	-	(226,452	-	-
Interest expense paid	(5,228)	(11,322)	-	-
Interest income earned	-	1,451	-	-

26. Share Capital

	The Group and The Company	
	2015	**2014**
	$'000	**$'000**
Authorised:		
13,598,340,000 (2014 – 13,598,340,000) Ordinary shares		
Issued and fully paid:		
3,905,634,916 ordinary stock units at no par	9,161,065	9,161,065
Treasury shares (Note 28)	(13,342)	(13,342)
	9,147,723	9,147,723

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27. Equity Reserves

	Note	Stock Options Reserve	Available-for-sale fair value reserve	Owner occupied properties fair value reserve	Currency Translation Reserve	Capital redemption reserve	Special investment reserve	Loan Loss Reserve	Retained earnings reserve	Grand Total
		\-----Attributable to owners of the parent-----							\	
			Investment and Fair Value Reserves			Other Reserves				
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 January 2014		116,563	(1,525,413)	574,450	3,242,801	1,086,018	166,673	87,210	1,595,131	5,343,433
Net gains recycled to revenue on disposal and maturity of available-for-sale securities		-	(844,394)	-	-	-	-	-	-	(844,394)
Net unrealised gains on available-for-sale securities		-	824,618	-	-	-	-	-	-	824,618
Net unrealised losses on revaluation of owner occupied properties		-	-	85,690	-	-	-	-	-	85,690
Deferred tax on unrealised capital gains		-	(164,402)	(5,141)	-	-	-	-	-	(169,543)
Impairment of equities		-	738,183	-	-	-	-	-	-	738,183
Currency translation		-	-	-	570,118	-	-	-	-	570,118
Total comprehensive income for the year		**-**	**554,005**	**80,549**	**570,118**	**-**	**-**	**-**	**-**	**1,204,672**

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27. Equity Reserves (Continued)

		\-----Attributable to owners of the parent-----\								
			Investment and Fair Value Reserves			Other Reserves				
	Note	Stock Options Reserve	Available-for-sale fair value reserve	Owner occupied properties fair value reserve	Currency Translation Reserve	Capital redemption reserve	Special investment reserve	Loan Loss Reserve	Retained earnings reserve	Grand Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total comprehensive income for the year		**-**	**554,005**	**80,549**	**570,118**	**-**	**-**	**-**	**-**	**1,204,672**
Transactions with owners -										
Employee share option scheme - value of services provided		23,677	-	-	-	-	-	-	-	23,677
Employee stock grants and options exercised/expired		(6,693)	-	-	-	-	-	-	-	(6,693)
Total transactions with owners		16,984	-	-	-	-	-	-	-	16,984
Transfers between reserves -										
To special investment reserve	2(r)	-	-	-	-	-	202,736	-	-	202,736
To retained earnings	2(s)	-	(92,906)	-	-	-	-	-	-	(92,906)
Adjustment between regulatory loan provisioning and IFRS	30(b)	-	-	-	-	-	-	(261,383)	-	(261,383)
Total transfers between reserves		-	(92,906)	-	-	-	202,736	(261,383)	-	
Balance at 31 December 2014		**133,547**	**(1,064,314)**	**654,999**	**3,812,919**	**1,086,018**	**369,409**	**(174,173)**	**1,595,131**	**6,413,536**

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27. Equity Reserves (Continued)

		\------Attributable to owners of the parent------\								
			Investment and Fair Value Reserves			Other Reserves				
	Note	Stock Options Reserve	Available-for-sale fair value reserve	Owner occupied properties fair value reserve	Currency Translation Reserve	Capital redemption reserve	Special investment reserve	Loan Loss Reserve	Retained earnings reserve	Grand Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2015		**133,547**	**(1,064,314)**	**654,999**	**3,812,919**	**1,086,018**	**369,409**	**(174,173)**	**1,595,131**	**6,413,536**
Net gains recycled to revenue on disposal and maturity of available-for-sale securities		-	(241,800)	-	-	-	-	-	-	(241,800)
Net unrealised gains on available-for-sale securities		-	(8,474,232)	-	-	-	-	-	-	(8,474,232)
Net unrealised losses on revaluation of owner occupied properties		-	-	102,055	-	-	-	-	-	102,055
Deferred tax on unrealised capital gains		-	1,335,478	(134,664)	-	-	-	-	-	1,200,814
Impairment of equities		-	967,907	-	-	-	-	-	-	967,907
Currency translation		-	-	-	533,920	-	-	-	-	533,920
Total comprehensive income for the year		**-**	**(6,412,647)**	**(32,609)**	**533,920**	**-**	**-**	**-**	**-**	**(5,911,336)**

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27. Equity Reserves (Continued)

		\-----Attributable to owners of the parent-----\								
			Investment and Fair Value Reserves			Other Reserves				
	Note	Stock Options Reserve	Available-for-sale fair value reserve	Owner occupied properties fair value reserve	Currency Translation Reserve	Capital redemption reserve	Special investment reserve	Loan Loss Reserve	Retained earnings reserve	Grand Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total comprehensive income for the year		**-**	**(6,412,647)**	**(32,609)**	**533,920**	**-**	-	**-**	**-**	**(5,911,336)**
Transactions with owners -										
Employee share option scheme - value of services provided		21,143	-	-	-	-	-	-	-	21,143
Employee stock grants and options exercised/expired		(92,773)	-	-	-	-	-	-	-	(92,773)
Total transactions with owners		(71,630)	-	-	-	-	-	-	-	(71,630)
Transfers between reserves -										
To special investment reserve	2(r)	-	-	-	-	-	16,338	-	-	16,338
To retained earnings	2(s)	-	(23,872)	-	-	-	-	-	-	(23,872)
Adjustment between regulatory loan provisioning and IFRS	30(b)	-	-	-	-	-	-	(1,246,924)	-	(1,246,924)
Total transfers between reserves		-	(23,872)	-	-	-	16,338	(1,246,924)	-	(1,254,458)
Balance at 31 December 2015		**61,917**	**(7,500,833)**	**622,390**	**4,346,839**	**1,086,018**	**385,747**	**(1,421,097)**	**1,595,131**	**(823,888)**

28. Stock Options Reserve

Long-term Incentive plan

The Group offers stock grants and stock options to senior executives as part of its long-term incentive plan. The Group has set aside 150,000,000 of its authorised but un-issued shares at no par value for the stock grants and stock options.

In January 2007, the Group introduced a new Long Term Incentive (LTI) plan which replaced the previous Stock Option plan. Under the LTI plan, executives are entitled but not obliged to purchase the Group stock at a pre-specified price at some future date. The options are granted each year on the date of the Board of Directors Human Resources Committee meeting following the performance year at which the stock option awards are approved. Stock options vest in 4 equal installments beginning the first December 31 following the grant date and for the next three December 31st dates thereafter (25% per year). Options are not exercisable after the expiration of 7 years from the date of grant. The number of stock options in each stock option award is calculated based on the LTI opportunity via stock options (percentage of applicable salary) divided by the Black-Scholes value of a stock option of Sagicor Group Jamaica Limited stock on 31 March of the measurement year. The exercise price of the options is the closing bid price on 31 March of the measurement year.

Details of the combined share options outstanding are as follows:

	Sagicor Group Jamaica Limited			
	2015		2014	
	Options (thousands)	Weighted Average exercise price in $ per share	Options (thousands)	Weighted Average exercise price in $ per share
At beginning of year	70,025	8.19	72,148	8.22
Granted - 2013	-	-	19,077	7.11
2014	10,849	9.50	-	-
Expired	(7,573)	9.40	(7,374)	10.56
Exercised	(19,657)	7.25	(13,826)	5.68
At end of year	53,646	8.63	70,025	8.19
Exercisable at the end of the period	36,529	8.64	49,959	9.69

28. Stock Options Reserve (Continued)

Stock options outstanding at the end of the year have the following expiry dates and exercise prices:

	Converted Options			
	Exercise	2015	Exercise	2014
Expiry Date	**Price**	**$'000**	**Price**	**$'000**
March 2015	-	-	11.84	2,860
March 2015	-	-	7.92	5,016
March 2016	7.66	2,524	7.66	4,331
March 2016	7.92	1,962	7.92	3,744
March 2017	10.45	3,009	10.45	3,324
March 2017	4.20	1,560	4.20	3,270
March 2018	10.96	2,812	10.96	2,965
March 2018	6.51	3,308	6.51	9,448
March 2019	14.10	1,621	14.10	1,621
March 2019	7.52	4,575	7.52	6,510
March 2020	10.75	6,933	10.75	8,674
March 2021	7.11	14,495	7.11	18,265
March 2022	9.50	10,849	-	-
	8.63	53,646	8.19	70,025

For options outstanding at the end of the year, exercise prices range from $4.20 to $14.10 (2014 - $4.20 to $14.10). The remaining contractual terms range from 1 month to 7 years (2014 – 3 months to 7 years).

The weighted average share price for options exercised during the year was $11.00 (2014 - $9.93) and the Group's share of the cost of these options was $40,865,101 (2014 - $38,827,455).

The stock options reserve balance at the year-end represents the accumulated fair value of services provided by employees in consideration for shares, as measured by reference to the fair value of the shares. The fair value of the options granted during the year as determined using the Black-Scholes valuation model was $103,062,000. The significant inputs into the model were share price of $10.49, dividend yield of 6.39%, standard deviation of the expected share price returns of 27%, and annual risk free interest rate of 9.58%. The expected volatility is based on statistical analysis of month end share prices over the preceding seven years.

The Group recognized cumulative expenses of $16,913,000 in the Stock Option Reserves (2014 – $133,543,000) and share options expense of $41,411,000 (2014 - $86,971,000) in the income statement.

28. Stock Options Reserve (Continued)

The Group also has in place a share purchase plan which enables its administrative and sales staff to purchase a pool of Sagicor Group Jamaica Limited shares at a predetermined discount rate of the closing bid price on December 31 each year. During 2015, the Staff Share Purchase Plan Trust purchased 3,424,349 shares over the Stock Exchange for a total value of $35,398,667. There is no cost to the Group as the discounted shares will be transferred in 2016. At the point at which the shares are transferred to staff, the Subsidiary Companies recognize their share of the cost of those shares in the income statement.

The company has not been issuing new shares to support these plans but instead the Long Term Incentive and the Staff Share Purchase Plan Trust bought SGJ's shares on the open market. The total number of treasury shares held by the Group at year end was 2,966,000 (2014: Nil) at a cost of $13,342,000 (2014: Nil).

29. Investment and Fair Value Reserve

This represents the unrealised surplus or deficit on the re-measurement of available-for-sale securities, the revaluation of property, plant and equipment, an adjustment for gains or losses on investments in subsidiaries, an adjustment for equity investments deemed impaired and an adjustment for gains or losses on available-for-sale securities which have matured or have been disposed. An analysis of the investment and fair value reserves is as follows:

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	$000	**$000**	**$000**	**$000**
Owner-occupied properties	631,634	664,243	-	-
Unrealised gains on available-for-sale securities	(1,040,950)	(980,652)	(68,794)	6,039
	(409,316)	(316,409)	(68,794	6,039

30. Currency Translation Reserve

This represents the unrealised foreign exchange gains and losses on the translation of subsidiaries with functional currencies other than the Jamaican dollar.

31. Other Reserves

(a) Special Investment Reserve - This represents a non-distributable reserve under the provisions of the Insurance Regulations, 2001 (Note 2(s)).

(b) Loan Loss Reserve - This is a non-distributable reserve representing the excess of the allowance for impairment losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS.

(c) Retained earnings reserve - Section 2 of the Banking Act of 1992 permits the transfer of any portion of the Bank's net profit to a retained earnings reserve. This reserve constitutes a part of the capital base for the purpose of determining the maximum level of deposit liabilities and lending to customers. Transfers to the retained earnings reserve are made at the discretion of the subsidiary's Board of Directors; such transfers must be notified to the Bank of Jamaica.

(d) Reserve fund (included as a part of retained earnings reserve) - This fund is maintained in accordance with the Banking Act 1992 which requires that a minimum of 15% of the net profit of the banking subsidiary as defined by the Act be transferred annually to the reserve fund until the amount of the fund is 50% of the paid-up share capital of the subsidiary, and thereafter 10% of the net profit until the amount of the fund is equal to the paid-up capital of the subsidiary.

The deposit liabilities and other indebtedness for borrowed money together with all interest accrued should not exceed twenty times its capital base for the banking subsidiary.

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32. Dividends Declared

	The Group	
	2015	**2014**
	$'000	**$'000**
First interim dividend – 39 cents per share (2014 – 35 cents per share)	1,523,198	1,316,347
Second interim dividend – 34 cents per share (2014 – 28 cents per share)	1,327,915	1,093,578
	2,851,113	2,409,925

The dividends paid for 2015 and 2014 represented a dividend per stock unit of $0.73 and $0.63 respectively.

33. Net Profit and Retained Earnings

	2015	**2014**
	$'000	**$'000**
(i) Net profit dealt with in the financial statements of:		
The company	2,507,461	18,274,840
Less dividends from subsidiaries	(2,832,526)	(13,373,598)
Less other transactions with subsidiaries	-	(1,720,342)
The subsidiaries	10,118,510	5,382,218
	9,793,445	8,563,118
(ii) Retained earnings reflected in the financial statements of:		
The company	15,501,756	15,490,757
The subsidiaries	22,743,820	14.645,349
	38,245,576	30,490,757

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34. Deposit and Security Liabilities

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Securities sold under repurchase agreements	62,340,384	76,002,302	-	-
Due to banks and other financial institutions (i)	25,576,703	19,698,839	-	-
Customer deposits and other accounts	67,477,360	53,589,012	-	-
Structured products (ii)	4,212,607	2,294,229	-	-
Promissory notes (iii)	-	-	12,347,661	11,525,678
	159,607,054	151,584,382	12,347,661	11,525,678

	Interest Rate (%)	**Maturity Period**	**2015 $'000**	**2014 $'000**
(I) Due to banks and other financial institutions:				
Long term loans:				
Development Bank of Jamaica Limited	various	2018	1,362,279	1,056,951
The National Export-Import Bank of Jamaica Limited	8-13	various	-	8,098
National Housing Trust NHT	various	various	883,331	818,979
Short term loans:				
CIBC First Caribbean International Bank Jamaica Limited	3.0	2016	219,693	-
Citibank N.A.	3.0	2016	980,081	-
Goldman Sachs International	1.95	2016	5,727,257	3,732,683
Credit Suisse NY	Various	2016	4,824,211	4,595,598
Oppenheimer & Co. Inc.	1.85	2015	-	590,726
Morgan Stanley Smith Barney	1.06- 1.12	2016	11,401,882	8,732,678
Bank overdraft:				
National Commercial Bank Jamaica Limited	21.25		177,969	163,126
			25,576,703	19,698,839

34. Deposit and Security Liabilities (Continued)

(I) Due to banks and other financial institutions

a) Development Bank of Jamaica Limited (DBJ)

The agreement allows DBJ, at its absolute discretion, to approve J$ financing to Sagicor Investments Jamaica Limited (SIJL) for on-lending to customers for developmental projects which meet the criteria of DBJ and on such terms and conditions as DBJ may stipulate.

Funds disbursed to SIJL bear interest at DBJ's lending rate prevailing at the date of approval of each disbursement unless otherwise carried by DBJ and extended to the client at a maximum spread as stipulated by DBJ.

b) European Investment Bank (EIB)

A facility was established in the amount €4,000,000 on 20 December 2002 for the provision of financing to small and medium sized projects in the productive and related service sectors in Jamaica. The loan is disbursed to SIJL in tranches. The drawdowns may be done in US$ or J$. The loan is repayable in the Euro equivalent of the outstanding loan balance by 7 equal installments commencing 7 December 2008.

c) The National Export-Import Bank of Jamaica Limited(EXIM)

SIJL and its subsidiary Sagicor Bank Jamaica Ltd. (SBJL) are approved financial institutions of the National Export-Import Bank of Jamaica (EXIM). Through this partnership financing is provided, which is utilised to finance customers with viable projects within EXIM's guidelines.

Trade credit, short term and medium term loans are offered to customers engaged in manufacturing, agriculture, tourism and export trading. The loans to customers are not varying terms and at a maximum spread as stipulated by EXIM.

d) National Housing Trust (NHT)

This is a third party financing agreement between the company and the National Housing Trust, and attracts interest at rates ranging from 0.759% to 7%.

e) Bank Overdrafts

The bank overdraft balance represents book overdraft at year end. The actual balances at bank were positive at year end.

f) *Credit Suisse NY*

This represents loan facilities received from Credit Suisse NY in the amounts of US$40,000,000 by Sagicor Life Jamaica Limited. The loan attached interest of 2.25% plus 6 months USD Libor-BBA. In addition, the loan facility matures on April 29, 2016 and is secured by a Kingdom of Bahrain bond totalling US$1,014,830, a Republic of Italy bond totalling US$1,227,750, a Government of Bermuda bond totalling US$1,091,170, a Common Wealth of Bahamas bond totalling US$2,388,672, a Government of Cayman Islands bond totalling US$1,794,800, Federal Republic of Brazil bonds totalling US$1,824,330, Government of Jamaica Global bonds totalling US$27,894,752, Petroleum Company of Trinidad & Tobago Limited Corporate bonds totalling US$2,999,659, a First Citizen Bank of St. Lucia bond totalling US$4,998,500, International Corporate bonds totalling US$10,264,268, Peru Corporate bond totalling US$521,595 and Cash totalling US$1,353,668. This loan is repayable in one installment on 29 April 2016.

34. Deposit and Security Liabilities (Continued)

(I) Due to banks and other financial institutions (continued)

g) *Goldman Sachs International*
This represents a fixed rate loan at interest rate of 1.95% per annum and is secured by International bonds totalling US$61,073,923, a Government of Trinidad and Tobago bond totalling US$778,434, a Petroleum Company Trinidad and Tobago Corporate bond totalling US$1,040,610 and Government of Bahamas bonds totalling US$3,672,738. This loan is repayable in one instalment on December 14, 2016.

h) *Morgan Stanley Smith Barney*
This represents amounts due to the broker for securities purchased by Sagicor Life Jamaica Limited (SLJ) and Sagicor Life of the Cayman Islands Limited (SLC) under margin loan facilities. The facilities with SLJ attract interest rates of 1.11% to 1.35%. These loans are repayable on demand and secured by International Corporate bonds totalling US$48,447,157, International Municipal bonds totalling US$1,734,581, Federal Republic of Brazil bonds totalling US$17,792,638, and a Government of Jamaica bond totalling US$4,000,000.

The facilities with SLC attract interest rates ranging from 1.11% to 1.35%; these loans are repayable on demand and secured by International Corporate bonds totalling US$15,410,704, a Petroleum Company Trinidad and Tobago bond totalling US$3,483,670, a Government of Barbados bond totalling US$259,768, Equities totaling US$12,210,367, a Municipal bond totaling US$554,960, a Government of Panama bond totalling US$59,870, Federal Republic of Brazil bonds totalling US$5,040,798, an United States Treasury bond totalling US$662,500 and an Agency bond totalling US$511,106.

The Group has not had any defaults of principal, interest or other breaches with respect to its liabilities during the year.

(ii) Structured products

	2015	**2014**
	$'000	**$'000**
Principal protected notes -		
With no interest guaranteed	329,983	307,062
With interest guaranteed	3,882,624	1,966,130
7.15% US dollar amortising notes	-	21,037
	4,212,607	2,294,229

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34. Deposit and Security Liabilities (Continued)

(ii) Structured products (continued)

Principal Protected Notes
Principal protected notes comprise a fixed income element with or without an interest guarantee (included above) and an equity-indexed option element disclosed in Note 9. These notes entitle the holders to participate in any positive returns on the equity-indexed options and they also include a principal protection feature. If the return on the index is negative, the holder will obtain the principal invested in the notes with no interest guarantee and principal plus interest for the notes with an interest guarantee. The maturity of these notes range from 2013 to 2017.

US Dollar Amortizing Notes
The 7.15% US dollar amortizing notes are structured securities whereby the principal is amortised quarterly with the final repayment by February 2015.

(iii) Promissory notes

	The Company	
	2015	**2014**
	$'000	**$'000**
Sagicor Life Jamaica Limited	10,561,326	10,383,543
Sagicor Bank Jamaica Limited	583,975	821,983
Sagicor Investment Jamaica Limited	1,202,360	1,142,135
	12,347,661	12,347,661

The above represent promissory notes that have been issued with respect to the reorganization of the Group, see Note 1 (b) for further details. The promissory notes have been issued to one of the Group's subsidiaries, Sagicor Life Jamaica Limited, for consideration for the value of the above subsidiaries whose ownership has been transferred from the previous parent company, Sagicor Life Jamaica Limited to the new holding company, Sagicor Group Jamaica Limited. Also, a promissory note was issued to Sagicor Investment Jamaica Limited for the consideration for the value of Sagicor Bank Jamaica Limited whose ownership has been transferred from Sagicor Investment Jamaica Limited to Sagicor Group Jamaica Limited; see Note 1 (b) for further details. The promissory notes are unsecured and attract interest at 5% per annum and mature June 2016.

35. Other Liabilities

	The Group		The Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Legal claim payable	5,147,243	3,906,830	-	-
Premiums not applied	1,042,632	1,217,088	-	-
Accounts payable and accruals	1,061,958	708,128	14,337	-
Accrued vacation	205,314	105,478	-	-
Dividends payable	118,196	107,757	36,627	28,154
Due to related parties (Note 25)	212,760	81,553	1,592,919	645,192
Due to brokers and agents	502,623	350,054	-	-
Bonus payable	426,889	349,079	-	-
Reinsurance payable	204,344	209,186	-	-
Mortgage principal and real estate payables	274,989	300,983	-	-
Customer settlement accounts	269,348	325,276	-	-
Regulatory fees and Statutory payables	763,044	714,005	-	-
Items in course of payment	578,344	498,236	-	-
Unsettled trades	-	890,080	-	-
Cheques issued but uncashed	160,411	330,499	-	-
Unearned reinsurance commissions	9,646	7,926	-	-
Miscellaneous	388,130	529,143	9,678	4,643
	11,365,871	10,631,301	1,653,560	677,989

36. Insurance Contract Liabilities

(a) Composition by line of business is as follows:

	The Group	
	2015	2014
	$'000	$'000
Group annuities	35,765,413	31,490,107
Group insurance	4,736,672	4,918,357
Individual insurance	21,083,738	19,417,847
Total	61,585,823	55,826,311

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36. Insurance Contract Liabilities (Continued)

(b) Movements in insurance liabilities:

	The Group			
	2015			
	Group Annuities	Individual Insurance	Group Insurance	Total
	$'000	$'000	$'000	$'000
Balance at the beginning of the year	31,490,107	19,417,853	4,918,357	55,826,317
Normal changes in policyholders' liabilities (Note 36(d))	3,362,070	1,708,938	(293,834)	4,777,174
Eliminations	-	(321,052)	-	(321,052)
Changes as a result of revaluation	913,236	277,999	112,149	1,303,384
Balance at end of year	35,765,413	21,083,738	4,736,672	61,585,823

	The Group			
	2014			
	Group Annuities	Individual Insurance	Group Insurance	Total
	$'000	$'000	$'000	$'000
Balance at the beginning of the year	27,975,080	16,485,484	4,105,167	48,565,731
Normal changes in policyholders' liabilities (Note 36(d))	2,345,403	2,548,759	629,051	5,523,213
Changes as a result of revaluation	1,169,624	383,604	184,139	1,737,367
Balance at end of year	31,490,107	19,417,847	4,918,357	55,826,311

36. Insurance Contract Liabilities (Continued)

(c) Investment and other assets supporting policyholders' and other liabilities:

	The Group				
	2015				
	Insurance	Pensions and Annuities	Other Liabilities	Capital and Surplus	Total
	$'000	$'000	$'000	$'000	$'000
Quoted equities	19,047,070	-	-	6,370,544	25,417,614
Investment properties	-	-	-	472,000	472,000
Fixed income securities	29,894,907	45,043,454	136,475,387	11,661,998	223,075,746
Mortgages	-	90,209	-	1,822,425	1,912,634
Other assets	2,911,855	-	20,344,296	26,255,782	49,511,933
	51,853,832	45,133,663	156,819,683	46,582,749	300,389,927

	The Group				
	2014				
	Insurance	Pensions and Annuities	Other Liabilities	Capital and Surplus	Total
	$'000	$'000	$'000	$'000	$'000
Quoted equities	18,365,657	-	-	5,929,454	24,295,111
Investment properties	-	-	-	871,888	871,888
Fixed income securities	28,809,362	40,088,784	135,339,853	621,267	204,859,266
Mortgages	-	66,118	-	1,846,995	1,913,113
Other assets	1,255,295	-	14,225,393	36,795,747	52,276,435
	48,430,314	40,154,902	149,565,246	46,065,351	284,215,813

36. Insurance Contract Liabilities (Continued)

(d) Changes in policy liabilities were caused by the following business activities and changes in actuarial assumptions:

	The Group 2015			
	Group Annuities	**Individual Insurance**	**Group Insurance**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Change in assumed investment yields and inflation rate	(45,503)	439,547	158,544	552,588
Change due to the issuance of new policies and the decrements on in-force policies	3,409,965	4,956,877	333,994	8,700,836
Change due to other actuarial assumptions	(2,392)	(3,687,486)	(786,372)	(4,476,250)
	3,362,070	1,708,938	(293,834)	4,777,174

	The Group 2014			
Change in assumed investment yields and inflation rate	(555,563)	(288,324)	3,642	(840,245)
Change due to the issuance of new policies and the decrements on in-force policies	3,039,772	3,573,507	562,546	7,175,825
Change due to other actuarial assumptions	(138,806)	(736,424)	62,863	(812,367)
	2,345,403	2,548,759	629,051	5,523,213

36. Insurance Contract Liabilities (Continued)

(e) Policy assumptions

At each date for valuation of actuarial liabilities, the Appointed Actuary of each insurer reviews the assumptions made at the last valuation date. The Appointed Actuary tests the validity of each assumption by reference to current data, the Group's experience and where appropriate, changes the assumptions for the current valuation.

Insurance and investment contract liabilities have two major assumptions, best estimate assumptions and provisions for adverse deviation assumptions.

A similar process of review and assessment is conducted in the determination of margins for adverse deviations.

Life Insurance and Annuity Contracts

(i) Best estimate assumptions
Assumptions cover the lifetime of the policies and are made for many variables including mortality, morbidity, investment yields, rates of policy termination, operating expenses and certain taxes.

(ii) Mortality and morbidity
The assumptions are based on past group and industry experience. For individual life policies the Group bases its assumption on the Canadian Institute of Actuaries 86-92 male and female aggregate mortality tables which are 15 year select and ultimate mortality tables. For accidental death and dismemberment benefits the Group bases its assumptions on the 1959 Accidental Death Benefit table for rider benefits and the Canadian Population Accident 1990-1992 sex distinct table for coupon products. Critical illness incidence rates are based on British population sex-distinct incidence rates developed by the Institute of Actuaries. Group annuitant mortality is based on the Society of Actuaries 1994 Group Annuitant male and female basic mortality tables with projection scale AA for improvements in mortality. Individual Annuitant mortality is based on the Society of Actuaries 2013 Individual Annuitant male and female Period mortality tables with projection scale G2 beyond 2013 for improvements in mortality.

(iii) Investment yields
The Group broadly matches assets and liabilities by line of business. The projected cash flows from these assets are combined with future reinvestment rates derived from the current economic outlook and the Group's investment policy to determine expected rates of return on these assets for all future years. The gross long term ultimate reinvestment rate (after 20 years) is based on expectations of risk-free government bond yields. The gross rate is adjusted to take into account investment expenses, investment income taxes and asset default. Assumptions taking into account inflation are that real returns after 30 years will be between 0.6% and 1.8%.

(iv) Lapses and persistency
Lapses relate to termination of policies due to non-payment of premiums. Surrender and withdrawals relate to voluntary termination of policies by policyholders. Policy termination assumptions are based on the Group's own experience and vary by type of product. Lapse rates in the first year of a policy range between 7% and 30% of insurance amounts issued. Lapse rates after 20 policy years are assumed to be between 0% and 9.5% of insurance amounts in force. Partial withdrawal rates average about 16% of fund values available from policies in force.

36. Insurance Contracts Liabilities (Continued)

(e) Policy assumptions (continued)

Life Insurance and Annuity Contracts (continued)

(v) Policy expenses

Policy maintenance expenses are derived from the Group's own internal cost studies projected into the future with an allowance for inflation. All expenses, including overhead, are functionally allocated by line of business, between the administration of the business and the acquisition of the business. All expenses related to the administration of the business are used to determine the policy maintenance unit costs. No expenses related to the acquisition of the business are included in the unit expense assumption used in the valuation of the actuarial liabilities. Interest sensitive and Universal life policies are assumed to be twice as costly to administer as traditional life policies. The inflation assumption is kept consistent with the investment assumption. The initial inflation rate is based on average calendar year inflation over the last 3 years and declines over the life of the policies such that real returns after 30 years are between 0.7% and 1.8%.

(vi) Provision for adverse deviation assumptions

To recognise the uncertainty in establishing best estimate assumptions, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the Appointed Actuary is required to include a margin for adverse deviation in each assumption. The impact of these margins is to increase reserves and so decrease the income that would be recognised on inception of the policy. The Canadian Institute of Actuaries standards indicate that margins are to be between 5% and 20% of the best estimate assumptions. The Group uses margins for each assumption at the mid to conservative end of the range, taking into account the risk profiles of the business.

(vii) Asset default

The Appointed Actuary of each insurer includes a provision for asset default in the modeling of the cash flows. The provision is based on industry and the Group's experience and includes a specific margin for equity securities and combined margin for debt securities, mortgage loans and deposits.

(viii) Changes in assumptions

Every financial year, the expectations of the Group with respect to the best estimate assumptions and the margins for adverse deviation described above are reviewed. All assumptions are updated as appropriate to reflect the circumstances of the Group.

Health Insurance Contracts

The outstanding liabilities for health insurance claims incurred but not yet reported and for claims reported but not yet paid are determined by statistical methods using expected loss ratios which have been derived from recent historical data. No material claim settlements are anticipated after one year from the balance sheet date.

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37. Investment Contract Liabilities

	The Group	
	2015	**2014**
	$'000	**$'000**
Amortised cost -		
Amounts on deposit	9,442,116	8,743,157
Deposit administration fund	3,169,705	3,126,468
Other investment contracts	360,157	478,410
	12,971,978	12,348,035

All financial liabilities at fair value through profit or loss are designated by the Group to be in this measurement category. The maturity value of these financial liabilities is determined by the fair value of the linked assets, at maturity date. There will be no difference between the carrying amount and the maturity amount at the maturity date.

The fair value of financial liabilities at amortised cost is based on a discounted cash flow valuation technique. This discount rate is determined by current market assessment of the time value of money and risk specific to the liability.

Amounts on deposit comprise of Guaranteed Investor liabilities amounting to $7,192,763 (2014 - $6,633,453) and other policyholders' savings plans of $2,249,353 (2014 - $2,109,704).

Movement of the Deposit Administration Funds:

	The Group	
	2015	**2014**
	$'000	**$'000**
Balance at the beginning of the year	3,126,468	3,150,075
Deposits received	262,477	274,784
Interest earned	173,003	185,341
Service charges	(26,389)	(31,023)
Withdrawals	(366,506)	(453,621)
Revaluation adjustment	652	912
Balance at the end of the year	3,169,705	3,126,468

These represent funds managed on behalf of pension plans administered by the Group and the company. Interest credited to the funds is paid at a fixed annual rate of return, with the rate being revised on an annual basis. At the end of the year, there were 168 (2014 - 168) clients in the company. The average interest rate paid by the company during the year was 5.85% (2014 – 5.85%).

38. Other Policy Liabilities

	The Group	
	2015	2014
	$'000	$'000
Insurance benefits payable	2,110,833	2,056,864
Provision for unearned premiums	129,647	125,719
Policy dividends and other funds on deposit	818,899	785,931
	3,059,379	2,968,514

39. Investment Contracts Benefits

Benefits from unit linked investment contracts without fixed terms for the Group amounting to $4,578,852,000 (2014 - $3,785,200,000) are accrued to the account of the policyholders as the fair value of the net gains arising from the underlying linked assets. All these contracts are designated at fair value through profit or loss.

40. Premium Income

(a) Gross premiums by line of business:

	The Group	
	2015	2014
	$'000	$'000
Group insurance -		
Group creditor life	563,820	606,851
Group health	9,023,358	8,456,439
Group life	1,847,803	1,635,121
	11,434,981	10,698,411
Individual insurance -		
Individual life -		
Insurance premium	11,194,286	10,246,016
Segregated funds contributions	5,801,326	4,905,570
Individual health	429,991	384,232
Individual annuities	387,124	83,308
	17,812,727	15,619,126
Bulk annuities	1,904,306	2,211,642
Annuities	1,937,172	1,284,382
Property and casualty	352,985	321,612
	33,442,171	30,135,173

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40. Premium Income (Continued)

(b) Reinsurance premiums by line of business:

	The Group	
	2015	**2014**
	$'000	**$'000**
Group insurance -		
Group health	249,855	240,693
Group life	61,232	63,927
	311,087	304,620
Individual life	271,197	312,990
Property and casualty	377,473	348,775
	959,757	966,385
Net premiums	32,482,414	29,168,788

(c) Net premiums by geography:

	The Group	
	2015	**2014**
	$'000	**$'000**
Jamaica	29,686,573	27,287,169
Cayman Islands	2,795,841	1,881,619
	32,482,414	29,168,788

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41. Net Investment Income

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Interest income -				
Short term deposits	45,092	22,545	-	-
Financial assets at fair value through profit or loss	487,211	687,161	74,049	34,350
Available-for-sale	8,006,322	6,981,119	119,732	44,032
Loans and receivables	4,269,069	3,743,196	286,746	159,675
Held to maturity	266,025	-	-	-
Loans	5,398,843	2,929,674	-	-
Policy loans	98,784	131,018	-	-
Government securities purchased under resale agreements	55,766	216,294	2,308	6,266
Other	17,990	38,717	-	-
Dividends	97,674	45,883	2,832,526	13,373,598
Net foreign exchange gains	386,347	1,063,552	-	-
Net realised gains on investment securities	2,898,021	2,397,738	-	-
Dividend in specie from subsidiaries	-	-	-	5,263,994
Other investment income/(losses)	7,541	(92,019)	(13,307)	(1,799)
	22,034,685	18,164,878	3,302,054	18,880,116
Impairment losses on investments	(967,906)	(738,183)	-	-
Interest expense -				
Customer deposits and repurchase liabilities	(3,432,735)	(3,798,155)	-	-
Due to banks and other financial institutions	(618,399)	(238,063)	-	-
Investment contracts	(587,208)	(558,628)	-	-
Promissory notes	-	-	(606,882)	(378,163)
Other	(126,888)	(279,533)	-	-
	(4,765,230)	(4,874,379)	(606,882)	(378,163)
Net investment income	16,301,549	12,552,316	2,695,172	18,501,953

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42. Fee and Other Income

	The Group	
	2015	**2014**
	$'000	**$'000**
Administration fees	2,029,356	1,443,886
Bank service fees	1,923,217	591,201
Surrender charges	203,200	171,672
Credit related fees, net	421,636	119,298
Stockbrokerage fees	52,498	20,304
Treasury fees	6,064	6,513
Trust fees	37,152	54,728
Corporate finance fees	76,326	37,772
Foreign exchange gains	138,086	488,616
Administrative service fees	449,200	446,896
Property management and related fees	302,711	266,540
Insurance broker commission	121,242	102,810
Miscellaneous fees & other income	453,391	158,883
	6,214,079	3,909,119

43. Insurance Benefits and Claims

	The Group			
	2015			2014
	Gross incurred	**Reinsured**	**Net**	**Net Claims**
	$'000	**$'000**	**$'000**	**$'000**
Death and disability	2,699,743	(102,061)	2,597,682	2,338,944
Maturities	18,764	-	18,764	29,740
Surrenders and withdrawals	998,919	-	998,919	1,193,543
Segregated funds withdrawals	4,578,852	-	4,578,852	3,785,200
Annuities payments	3,346,558	-	3,346,558	2,930,207
Policy dividends and bonuses	69,834	-	69,834	53,983
Health insurance	7,141,688	(154,121)	6,987,567	6,393,223
Other benefits	506,582	(13,629)	492,953	521,863
	19,360,940	(269,811)	19,091,12 9	17,246,703

44. Finance Costs
Finance costs represent interest costs incurred on loans used for business development.

45. Administration Expenses

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Auditors' remuneration -				
Current year	81,804	72,430	7,700	7,000
Prior year	-	3,296	-	1,361
Office accommodation	1,140,835	1,179,884	286	-
Communication and technology	1,371,457	961,076	13,540	-
Advertising and branding	484,520	480,578	11,959	3,750
Sales convention and incentives	174,831	136,313	-	-
Postage, printing and office supplies	265,831	216,896	2	40
Policy stamp duties and reimbursements	61,231	84,259	-	-
Regulators fees	182,805	166,982	5,221	3,425
Directors costs	90,911	44,131	28,092	12,852
Legal and professional fees	276,081	289,183	52,016	42,357
Legal claims	-	30,310	-	-
Services outsourced	566,981	627,100	57,758	156,964
Electronic channel service fees	194,712	92,735	-	-
Commission and fees	8,893	62,429	-	-
Insurance	143,827	112,144	57	-
Travel and entertainment	103,566	93,585	464	-
Bank charges and cash transport	201,174	109,016	237	723
Other expenses	350,849	152,834	10,243	6,670
Staff cost (a)	7,650,139	6,546,104	-	-
	13,350,447	11,461,285	187,575	235,142

(a) Staff costs

	The Group	
	2015	**2014**
	$'000	**$'000**
Salaries	4,885,315	3,748,255
Payroll taxes	555,708	444,056
Pension costs (Note 21)	453,880	1,018,898
Other post-retirement benefits (Note 21)	391,857	118,146
Share based compensation	190,615	124,179
Restructuring costs	436,719	525,555
Other	736,045	567,015
	7,650,139	6,546,104

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46. Commission and Sales Expense

Amount represents agents' commission and bonuses.

47. Taxation

(a) Tax is computed as follows:

	The Group		The Company	
	2015 **$'000**	**2014** **$'000**	**2015** **$'000**	**2014** **$'000**
Current year taxation -				
Investment income tax @ 15%	-	428,603	-	-
Dividend income tax @ 15%	490	-	-	-
Income tax at 33 ⅓%	831,929	236,010	-	-
Income tax at 25%	1,146,074	120	85,927	60
	1,978,493	664,733	85,927	60
Deferred income tax (Note 22) -				
Deferred tax charge/(credit) relating to the origination and reversal of temporary differences	(160,015)	(366,225)	(88,261)	-
Taxation	1,818,478	298,508	(2,334)	60

(b) Premium and other taxes:

	The Group 2015 $'000	The Group 2014 $'000	The Company 2015 $'000	The Company 2014 $'000
Premium tax @ 3%	-	461,232	-	-
Asset tax @ 0.14%	963,785	177,114	400	100
Withholding tax	3,072	1,677	3	-
Premium and other taxes	966,857	640,023	403	100

(i) On September 29, 2015, the Provisional Collection of Tax (Income Tax) Order, 2015 was issued amending the income tax regime for life insurance companies effective for the year of assessment 2015. With effect from January 1, 2015, the Group's life insurance subsidiary is subject to income tax on its taxable profits at a rate of 25%. Prior to the amendment, the subsidiary was subject to tax on its investment income net of applicable expenses at a rate of 15% and was also subject to a premium tax of 3% on its premium income.

(ii) Investment tax applicable to the long term insurance business of the company is 15% on income, other than premium income, less certain expenses incurred in the generation of that income.

(iii) Investment tax applicable to the health insurance business of the company is 15% of taxable profits of that line of business.

47. Taxation (Continued)

(b) Premium and other taxes: (continued):

(iv) Income tax at 33⅓% is payable on taxable profits of Sagicor Investments Jamaica Limited, Sagicor Bank Jamaica Limited, Employee Benefits Administrator Limited, Sagicor Insurance Brokers Limited and Sagicor International Administrators Limited.

(v) Income tax at 25% is payable on taxable profits of Sagicor Group Jamaica Limited, and Sagicor Property Services Limited.

(vi) Asset taxes

(a) Life Insurance Companies
Life Insurance Companies are subjected to asset tax at a rate of 1% (2014 - .0.14%) of total assets less required capital specified by the Financial Services Commission and withholding tax receivables owed by the Commissioner General of Tax Administration Jamaica.

(b) Bank of Jamaica Regulated Companies
Commercial Banks, Building Society and other deposit taking institutions are subjected to tax of 0.25% (2014 – 0.14%) of total assets less loan loss reserves, withholding tax receivables owed by the Commissioner General of Tax Administration Jamaica and Regulated Capital required by the Bank of Jamaica.

(c) Non- Regulated Entities
These entities are subjected to a fixed rate based on the total value of assets.

(vii) Subject to the agreement of the Taxpayer Audit and Assessment Department, losses of the company and certain subsidiary companies, available for set off against future taxable profits amount to approximately $702,085,000 (2014 – $738,313,000) and $533,591,000 (2014 - $533,591,065) respectively. No deferred tax asset has been calculated on the losses for the company.

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47. Taxation (Continued)

(c) Reconciliation of applicable tax charges to effective tax charge:

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Investment income tax -				
Gross investment income	-	18,164,878	-	-
Dividend income	3,067	-	-	-
	3,067	18,164,878	-	-
Tax at 15%	460	2,724,732	-	-
Adjusted for:				
Deductible expenses	-	(261,258)	-	-
Income not subject to tax	-	(619,457)	-	-
Net investment income not subject to investment tax	-	(1,646,559)	-	-
Expenses not deductible for tax purposes	-	119,484	-	-
Net effect of other charges and allowances	-	(14,441)	-	-
	460	302,501	-	-
Income tax -				
Profit before taxation	11,611,926	8,861,626	2,505,130	18,274,900
Tax at 25% and 33⅓%	3,209,512	2,946,787	626,282	4,568,725
Adjusted for:				
Investment income not subject to income tax	(3,391,561)	(3,113,053)	(681,895)	(4,685,634)
Asset tax not deductible for tax purposes	238,224	1,256	100	25
Expenses not deductible for tax purposes	1,896,256	3,177,808	162,246	2,907
Subsidiaries taxed at zero rate	(136,043)	(203,106)	-	-
Effect of change in tax structure	48,521	-	-	-
Prior year (over)/under provision	(25,434)	24,718	-	-
Net effect of other charges and allowances	(21,457)	82,013	(109,167)	114,037
	1,818,018	(3,993)	(2,334)	60
Taxation expense	1,818,478	298,508	(2,334)	60

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47. Taxation (Continued)

(d) The tax (charge)/credit relating to components of other comprehensive income is as follows:

	The Group					
	2015			2014		
	Before tax $'000	Tax (charge)/ credit $'000	After tax $'000	Before tax $'000	Tax (charge)/ credit $'000	After tax $'000
Fair value (losses)/gains on available-for-sale investments	(8,474,232)	1,335,478	7,138,754	783,724	(164,402)	619,322
Re-measurement of post-employment benefits	(715,841)	273,873	(441,968)	1,330,557	(183,033)	1,147,524
Unrealised gains/(losses) on owner-occupied properties	102,055	(134,665)	(32,610)	85,691	(5,142)	80,549
Retranslation of foreign operations	533,920	-	533,920	537,832	-	537,832
Other comprehensive income	(8,554,098)	1,474,686	7,079,412	2,737,804	(352,577)	2,385,227
Deferred income taxes (Note 22)		(1,474,686)			(352,577)	

48. Earnings per Stock Unit

(i) Basic earnings per stock unit are calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary shares in issue during the year.

	The Group	
	2015	2014
Net profit attributable to stockholders ($'000)	9,793,445	8,512,779
Weighted average number of ordinary stock units in issue ('000)	3,905,635	3,855,703
Basic earnings per stock unit ($)	2.51	2.21

48. Earnings per Stock Unit (Continued)

(ii) Diluted earnings per stock unit is calculated adjusting the weighted average number of ordinary stock unit outstanding to assume conversion of all dilutive potential ordinary shares under the following schemes:

(a) An Employee Share Ownership Plan.

(b) Effective 1 May 2003, the Group instituted a share based compensation plan for Executives. A new long-term Incentive Plan was put in place from January 2007. Shares amounting to 150,000,000 have been set aside to cover share grants and options to Executives.

The company adopted a policy not to issue new shares to satisfy the staff share ownership plans, options being exercised or grants being awarded. Instead, the required shares are being purchased over the Jamaica Stock Exchange in the name of the Staff Share Purchase Trust or the Long-term Incentive Plan.

	The Group	
	2015	**2014**
Net profit attributable to stockholders ($'000)	9,793,445	8,512,779
Weighted average number of ordinary stock units in issue ('000)	3,905,635	3,855,703
Fully diluted earnings per stock unit ($)	2.51	2.21

(iii) The weighted average number of ordinary stock units used in the basic and diluted earnings per stock unit computations may be reconciled as follows:

	The Group	
	2015	**2014**
	'000	**'000**
Weighted average number of ordinary stock units for the purposes of the computation of basic earnings per stock unit	3,905,635	3,855,703
Effect of dilutive potential ordinary stock units – stock options	3,906	3,420
Weighted average number of ordinary stock units for the purposes of the computation of diluted earnings per stock unit	3,909,541	3,859,123

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49. Cash Flows

(a) Operating activities

	Note	The Group 2015	The Group 2014	The Company 2015	The Company 2014
		$'000	$'000	$'000	$'000
Adjustments for non-cash items, interest and dividends:					
Depreciation and amortisation		767,084	586,734	126,336	-
Impairment charge for customer relationship		-	427,683	-	-
Interest income		(18,957,515)	(14,906,113)	(3,312,340)	(18,846,999)
Interest expense and finance costs	40	4,765,230	4,874,395	606,882	378,162
Income tax expense	46	1,818,478	298,508	(2,334)	-
Premium and other tax expense	46	966,704	640,023	403	100
Gains on disposal of investment securities/investment properties		(852,103)	(2,847,252)	13,308	-
Premium/discount amortised		206,020	226,039	(3,024)	(2,118)
Fair value gains on trading securities		(2,446,807)	(877,737)	-	-
Impairment charge on investments, loans and other assets		967,907	777,128	-	-
Share based compensation		-	31,941	-	-
(Losses)/gains on revaluation of investment properties	13	(20,144)	114,154	-	-
Gains/(losses) on disposal of property, plant and equipment		92,603	(15,873)	-	-
Increase / (decrease)in policyholders' funds		447,673	(657,651)	-	-
Net movement in actuarial liabilities		4,777,174	5,523,213	-	-
Retirement benefit obligations		440,751	618,448	-	-
Effect of exchange gains on foreign currency balances		(138,086)	(488,616)	2,897	-
Negative goodwill on acquisition of RBC Jamaica		119,628	(3,211,180)	-	-
Share of income from joint venture/gain on disposal of associate		(61,121)	(6,309)	-	-
		(7,106,524)	(8,892,465)	(2,567,872)	(18,470,625)

49. Cash Flows (Continued)

(b) Changes in other operating assets and liabilities:

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Changes in other operating assets and liabilities:				
Statutory reserves at Bank of Jamaica	(966,404)	(216,391)	-	-
Structured products and derivatives	1,862,001	2,001,748	-	-
Stock grants	(71,630)	105,314	(71,631)	16,984
Reinsurance contracts	(38,693)	(118,112)	-	-
Due from/(to) related parties	9,474	(10,595)	815,929	(641,011)
Deposit and security liabilities	1,129,455	23,531,240	(3,379,106)	-
Other assets	(2,141,715)	(7,062,076)	447,526	(712,176)
Other liabilities	406,078	5,318,813	41,187	1,299,512
	188,566	23,549,941	(2,146,095)	(36,691)

(c) Net investment purchases:

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Proceeds on sale of investment securities	66,350,628	44,033,979	5,471,055	-
Purchase of investment securities	(84,621,847)	(59,993,253)	(1,929,096)	(5,327,502)
Loans	(4,851,956)	(3,439,902)	-	-
Lease receivables	(20,478)	(8,573)	(16,853)	-
	(23,143,653)	(19,588,803)	3,525,106	(5,327,502)

(d) Investing Activities

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Purchase of property, plant and equipment (Note 19)	(552,981)	(483,861)	(206,608)	(325)
Proceeds from sale of property, plant and equipment	4,693	32,795	-	-
	(548,288)	(451,066)	(206,608)	(325)

50. Fair Values of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the Group. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at statement of financial position dates.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(i) Investment securities at fair value through profit or loss are measured at fair value by reference to quoted prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, or discounted cash flows. Fair value is equal to the carrying amount of these items.

(ii) Investment securities classified as available-for-sale are measured at fair value by reference to quoted market prices or dealer quotes when available. If quoted market prices are not available, then fair values are based on pricing models or other recognised valuation techniques. Investments in unit trusts are based on prices quoted by the fund managers.

(iii) The fair value of the interest rate swap is calculated as the present value of the estimated future cash flows. The fair value of currency forward contracts is determined using quoted forward exchange rates. The fair value of the equity indexed options and the exchange traded funds that are shorted are based on quoted prices. The fair value of the cross currency swap is based on the present value of the net future cash payments and receipts, which fluctuate based on changes in market interest rates and the euro/U.S. dollar exchange rate.

(iv) The fair value of demand deposits and customer accounts with no specific maturity is assumed to be the amount payable on demand at the year end date. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using interest rates for new deposits.

(v) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts.

(vi) Loans are net of provision for impairment. The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value; and

(vii) Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

Differences between the fair values and the carrying values are accounted for in determining the amount of policyholders' liabilities that must be set aside each year.

50. Fair Values of Financial Instruments (Continued)

The table below summaries the carrying amount and fair value of financial assets and financial liabilities not presented on the Group's statement of financial position at their fair value:

	The Group			
	Carrying Value 2015 $000	Fair Value 2015 $000	Carrying Value 2014 $000	Fair Value 2014 $000
Financial Assets				
Financial investments - held to maturity	2,463,106	2,632,254	2,328,071	2,412,449
Financial investments – loans and receivables	49,025,207	51,209,236	47,212,880	49,091,761
Loans & leases, after allowance for credit losses	43,761,061	41,727,816	38,808,048	39,595,778
Financial Liabilities				
Securities sold under agreements to repurchase	62,340,383	62,328,319	76,002,302	75,168,115
Customer deposits and other accounts	67,477,360	79,578,577	53,589,012	55,755,710
Due to banks and other financial institutions	25,576,703	25,700,077	19,698,839	19,650,749

	The Company			
	Carrying Value 2015 $000	Fair Value 2015 $000	Carrying Value 2014 $000	Fair Value 2014 $000
Financial Assets				
Financial investments – loans and receivables	954,442	957,328	3,176,822	3,144,775

The following table provides an analysis of financial instruments that are measured in the statement of financial position at fair value at 31 December 2015 , grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

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

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

50. Fair Values of Financial Instruments (Continued)

	The Group 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial Assets				
Financial investments	39,848,582	102,575,684	3,460,332	145,884,598
Pledged assets	-	6,184,591	-	6,184,591
Derivative financial instruments	-	192,303	-	192,303
	39,848,582	108,952,578	3,460,332	152,261,492
Financial Liabilities				
Derivative financial instruments	-	192,303	-	192,303
	-	192,303	-	192,303

	The Group 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial Assets				
Financial investments	39,963,751	90,703,116	1,901,926	132,568,793
Pledged assets	-	8,402,683	-	8,402,683
Derivative financial instruments	-	761,732	-	761,732
	39,963,751	99,867,531	1,901,926	141,733,208
Financial Liabilities				
Liabilities under annuity, investment and insurance contracts				
Derivative financial instruments	-	716,186	-	716,186
Structured products	-	-	-	-
	-	716,186	-	716,186

Reconciliation of level 3 items –

	The Group	
	2015	**2014**
	$'000	**$'000**
Balance at beginning of year	1,901,926	1,659,427
Total gains – income statement	214,760	153,230
Purchases	1,987,639	89,269
Settlements	(643,993)	-
Balance at end of year	3,460,332	1,901,926

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50. Fair Values of Financial Instruments (Continued)

The gains or losses recorded in the income statement are included in Note 41.

The following table summarizes the quantitative information about the significant unobservable inputs used to measure the Group's Level 3 financial instruments:

Description	Fair value at		Unobservable inputs	Range of unobservable inputs		Relationship of unobservable inputs to fair value
	2015	**2014**		**2015**	**2014**	
	$'000	**$'000**		**$'000**	**$'000**	
Unquoted preference shares	505,100	330,201	Valued at imputed price Earnings growth factor	2.5% - 3.5%	2.0% - 3%	Increased earnings growth factor (+500 basis points (bps) and lower discount rate (-100 bps) would increase /decrease fair value by $50,510,000
Corporate bonds	2,835,953	1,452,446	Valued at cost and comparable pricing	10%	10%	A shift of the credit default rate by +/- 100bps results in a change in FV $283,595,000 (2014 - $145,244,000).
Unquoted ordinary equity	119,279	119,269	Valued at cost less impairment	2.5% - 3.5%	2.0% - 3%	Increased earnings growth factor (+500 basis points (bps) and lower discount rate (-100 bps) would increase /decrease fair value by $11,927,000
	3,460,332	1,901,926				

50. Fair Values of Financial Instruments (Continued)

The carrying value (excluding accrued interest) (Note 23) and fair value of investment securities classified as loans and receivables were as follows:

	The Group	
	Carrying Value $'000	Fair Value $'000
At December 31, 2015	48,287,687	47,998,469
At December 31, 2014	46,447,548	48,326,429

Similar to debt securities classified as available-for-sale, the above fair value measurements fall within Level 2 of the fair value hierarchy as indicative prices or yields of these instruments are obtained from regular, publicly available quotes by reputable pricing services, dealers and brokers, such as Bloomberg and Oppenheimer.

The fair values for all other financial instruments approximate their carrying values and also fall within Level 2 based on the following:

- The fair value of liquid assets and other assets maturing within one year (such as cash and balances at Central Banks and amounts due from other banks) is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;
- The fair value of demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the date of the statement of financial position;
- The fair value of variable rate loans is assumed to approximate their carrying amounts and management does not believe that, after deduction of provision for credit losses, there is any significant difference between the fair value of fixed rate loans and their carrying values as interest rates approximate current market rates offered on similar loans.

51. Insurance and Financial Risk Management

The Group's activities expose it to a variety of financial risks and those activities necessitate the analysis, evaluation, control and/or acceptance of some degree of risk or combination of risks. Taking various types of risk is core to the financial services business and operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group has a risk management framework with clear terms of reference. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board of Directors to Executive Management committees and senior managers. Policy frameworks which set out the risk profiles for the Group's risk management, control and business conduct standards for the Group's operations have been put in place. Each policy has a member of Executive Management charged with overseeing compliance with that policy.

The Board of Directors is ultimately responsible for the establishment and oversight of the risk management framework. The Board of Directors has established committees/departments/structures for managing and monitoring risks, as follows:

(i) Board Audit Committee
The Board Audit Committee comprises independent directors. The Committee:

- Oversees how management monitors internal controls, compliance with the Group's risk management policies and adequacy of the risk management framework to risks faced by the Group;
- Reviews the Group's annual and quarterly financial statements, related policies and assumptions and any accompanying reports or statements; and
- Reviews the internal audit function as well as the external auditor's independence, objectivity and effectiveness.

The Board Audit Committee is assisted in its oversight role by the Internal Audit Department. The Internal Audit Department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit Committee.

(ii) Board Investment Committee
The Board Investment Committee comprises independent directors. As part of its Terms of Reference, the Committee:

- Oversees the Group's financial risk management framework.
- Approves the investment policies within which the Group's investment portfolios are managed;
- Reviews the performance of the Group's investment portfolios;
- Ensures adherence to prudent standards in making investment and lending decisions and in managing investments and loans; and
- Approves new investment projects over certain thresholds, ensuring the required rates of returns are considered.

51. Insurance and Financial Risk Management (Continued)

(iii) Asset/Liability Management (ALM) Committee
The Group has in place an Asset/Liability Management (ALM) Committee. This Committee:

- Monitors the profile of the Group's assets and liabilities;
- Plans, directs and monitors various financial risks including, interest rate risk, equity risk, liquidity risk, currency risk and country risk;
- Provides guidance to the Investment Managers with regards to the appropriateness of investments assigned or purchased to support the liabilities of the various lines of business; and
- Monitors market interest rates and establishes the credited rate for various investment contracts.

(iv) Anti-Money Laundering (AML)
The Group has assigned responsibility for AML and anti-fraud to a designated department. The responsibilities of this department include:

- Maintaining and communicating the AML and Anti-fraud policies and procedures;
- Interrogating financial transactions to identify suspicious and threshold reportable items;
- Coordinating information received from operating departments on reportable items;
- Ensuring that adequate anti-fraud controls are in place; and
- Filing required reports with Management, Board of Directors and Regulatory bodies.

(v) Regulatory Compliance
The Board has assigned responsibility for monitoring regulatory compliance to a designated department. This department maintains a catalogue of all required regulatory filings and follows-up the respective departments to ensure timely submissions. The Department files the required performance reports with management and the Board of Directors.

(vi) Enterprise Risk Management
The Group utilises an Enterprise Risk Management (ERM) framework, including policies and procedures designed to identify, measure and control risk in all business activities. The policies and procedures are reviewed periodically by senior managers and the Board of Directors.

The framework provides for quarterly evaluation of risks by senior management, with reporting to the Board Audit Committee. The risk exposures are prioritised each year and the top twenty (20) risks reported on.

Boards of subsidiary companies and management teams carry similar operating structures where applicable.

The most important types of risk facing the Group are insurance risk, reinsurance risk, credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

51. Insurance and Financial Risk Management (Continued)

(a) Insurance risk

The Group issues both short term and long term contracts that transfer insurance risk 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.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Long term insurance contracts

Long-term contracts are typically for a minimum period of 5 years and a maximum period which is determined by the remaining life of the insured. In addition to the estimated benefits which may be payable under the contract, the insurer has to assess the cash flows which may be attributable to the contract. The process of underwriting may also be undertaken and may include specific medical tests and other enquiries which affect the insurer's assessment of the risk. The insurer assesses the likely benefits and cash flows both in establishing the amount of premium payable under the contract and in estimating the statement of financial position liability arising from the contract.

For long-term contracts in-force, the Group has adopted a policy of investing in assets with cash flow characteristics that closely match the cash flow characteristics of its policy liabilities. The primary purpose of this matching is to ensure that cash flows from these assets are synchronised with the timing and the amounts of payments that must be paid to policyholders.

(i) Frequency and severity of claims

For contracts where death is the insured risk the most significant factors that could increase the overall frequency and severity of claims are epidemics (such as AIDS) and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant improvement in medical science and social conditions that would increase longevity.

At present, these risks do not vary significantly in relation to the location of the risk insured by the group. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

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51. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts

(i) Frequency and severity of claims (continued)
For contracts with fixed and guaranteed benefits and fixed return premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted.

The table below presents the company's concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described below in Note 51(b). At year-end, none of these insurance contracts had triggered a recovery under the reinsurance held by the Group. As was the case in the previous year, the risk is concentrated at the higher value bands. (These tables do not include annuity contracts, for which a separate analysis is reported in following pages).

	The Group			
Individual Life Benefits Assured per Life ('000)	Total Benefits Insured			
2015	**Before Reinsurance $'000**	**%**	**After Reinsurance $'000**	**%**
0 – 200	117,730,469	11	107,862,730	11
200 - 400	102,456,194	9	93,048,556	9
400 - 800	107,153,961	10	96,512,435	9
800 - 1000	95,357,274	9	89,260,291	9
More than 1,000	660,690,517	61	634,193,204	62
Total	1,083,388,415	100	1,020,877,21 6	100

	The Group			
Individual Life Benefits Assured per Life ('000)	Total Benefits Insured			
2014	**Before Reinsurance $'000**	**%**	**After Reinsurance $'000**	**%**
0 – 200	111,403,881	11	101,126,241	11
200 - 400	439,341,621	44	422,458,276	45
400 - 800	66,218,105	7	56,174,633	6
800 - 1000	29,131,101	3	24,261,084	3
More than 1,000	350,672,979	35	328,668,889	35
Total	996,767,687	100	932,689,123	100

51. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(i) Frequency and severity of claims (continued)
The table below represents the company's concentration of insured benefits across five bands of insured benefits per group individual life assured. The benefit insured figured are shown gross and net of reinsurance.

Group Life Benefits Assured per Life ('000)	The Group			
	Total Benefits Insured			
2015	**Before Reinsurance $'000**	**%**	**After Reinsurance $'000**	**%**
0 - 200	29,958,394	5	21,517,509	4
200 - 400	3,591,631	1	1,509,387	-
400 - 800	663,817	-	419,606	-
800 - 1,000	183,806	-	183,806	-
More than 1,000	566,959,335	94	563,056,822	96
	601,356,983	100	586,687,130	100

Group Life Benefits Assured per Life ('000)	The Group			
	Total Benefits Insured			
2014	**Before Reinsurance $'000**	**%**	**After Reinsurance $'000**	**%**
0 - 200	27,128,290	4	17,630,147	3
200 - 400	3,824,031	1	1,736,194	-
400 - 800	577,851	-	400,501	-
800 - 1,000	41,077	-	41,077	-
More than 1,000	559,822,986	95	557,292,605	97
	591,394,235	100	577,100,524	100

51. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(i) Frequency and severity of claims (continued)
The following tables for the company's annuity insurance contracts illustrate the concentration of risk based on five bands that group these contracts in relation to the amount payable per annum as if the annuity was in payment at the year end. The greatest risk concentration remains at the highest band, which is consistent with the prior year. The Group does not hold any reinsurance contracts against the liabilities carried for these contracts.

	The Group	
Annuity Payable per annum per annuitant ('000)	**Total Benefits Insured**	
2015	**$'000**	**%**
0 – 20	60,453	2
20 - 40	66,811	2
40 - 80	81,276	3
80 - 100	35,527	1
More than 100	2,777,718	92
Total	3,021,785	100

	The Group	
Annuity Payable per annum per annuitant ('000)	**Total Benefits Insured**	
2014	**$'000**	**%**
0 - 20	40,374	2
20 - 40	60,701	2
40 - 80	76,431	3
80 - 100	34,420	1
More than 100	2,474,184	92
Total	2,686,109	100

51. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

For interest-sensitive and unit-linked contracts the Group charges for mortality risks on a monthly basis for all insurance contracts and has the right to alter these charges based on mortality experience and hence to minimise its exposure to mortality risk. Delays in implementing increases in charges, and market or regulatory restraints over the extent of any increases may reduce this mitigating effect.

The Group manages these risks through its underwriting strategy and reinsurance arrangements.

(i) Frequency and severity of claims (continued)
The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. The Group reinsures the excess of the insured benefit for new business for standard risks under an excess of loss reinsurance arrangement. Medical impaired lives are reinsured at lower levels. The Group does not place any reinsurance for contracts that insure survival risk. Insurance risk for contracts is also affected by the policyholders' rights to pay reduced or no future premiums, to terminate the contract completely, or to exercise a guaranteed annuity option. As a result, the amount of insurance risk is also subject to the policyholders' behaviour. On the assumption that the policyholders will make decisions rationally, overall risk can be assumed to be aggravated by such behaviour.

The Group has factored the impact of policyholders' behaviour into the assumptions used to measure these liabilities.

(ii) Sources of uncertainty in the estimation of future benefit payments and premium payments
Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long term changes in overall levels of mortality and the variability in the policyholder behaviour.

The Group uses appropriate base tables of standard mortality according to the type of contract being written. An investigation as to the actual experience of the Group is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. The best estimate of future mortality is based on standard industry tables adjusted for the group's overall experience. For contracts that insure survival, an adjustment is made for future mortality improvements based on the mortality investigations performed by independent actuarial bodies. The Group maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates to be used for the best estimate assumption.

51. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(iii) Process used in deriving assumptions
The assumptions for short term life contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year.

For long-term insurance contracts, at the reporting date, the Group determines current best estimate assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. The best estimate assumptions are determined based on experience studies and the current circumstances of the business. A margin for adverse deviation based on expected deterioration or mis-estimation of the mean, is added to the best estimate assumptions to derive the valuation assumptions which are used for calculating the liabilities arising under the insurance contracts.

See Note 35(e) for detail policy assumptions.

Short-duration life and health insurance contracts
Short-term contracts are typically for one year's coverage, with an option to renew under terms that may be amended by the insurer. In determining the premium payable under the contract, the insurer considers the nature and amount of the risk assumed, and recent experience and industry statistics of the benefits payable. This is the process of underwriting, which establishes appropriate pricing guidelines, and may include specific tests and enquiries which determine the insurer's assessment of the risk. Insurers may also establish deductibles to limit amounts of potential losses incurred.

Policy benefits payable under short-term contracts are generally triggered by an insurable event, i.e. a medical expense or a death claim. Settlement of these benefits is expected generally within one year. However, some benefits are settled over a longer duration.

The principal risks arising from short-term insurance contracts are premium risk, claims risk and reinsurance risk (See Note 50(b)).

Premium risk is the risk that the premium rate has been set too low for the risk being assumed.

Claims risk is the risk that:
- the number of claims may exceed expectations
- the severity of claims incurred may exceed expectations
- the claim amount may develop during the interval between occurrence and settlement.

51. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

For the Group's life and health insurance contracts, significant risk exposures arise from mortality and morbidity experience.

(i) Frequency and severity of claims
These contracts are mainly issued to employers to insure their commitments to their employees in terms of their employee benefit plans. This risk is affected by the nature of the industry in which the employer operates. The risk of death and disability will vary by industry. Undue concentration of risk by industry will therefore increase the risk of a change in the underlying average mortality or morbidity of employees in a given industry, with significant effects on the overall insurance risk.

Insurance risk under disability contracts is also dependent on economic conditions in the industry. The Group attempts to manage this risk through its underwriting, claims handling and reinsurance policy. Excess of loss reinsurance contracts have been purchased by the Group to limit the maximum loss on any one life and health claims, see Note 50(b) for retention limits.

(ii) Sources of uncertainty in the estimation of future claim payments
There is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration.

(iii) Process used in deriving assumptions
The assumptions for short-duration life contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year.

See Note 35(e) for detail policy assumptions.

The process to derive the assumptions for short-duration life contracts is similar to long-term insurance contracts. However, the short-term nature of the mortality risk underwritten makes the Group's estimate of the liability covering death benefit payments less uncertain than in the case of long-term contracts.

Short-duration property and casualty insurance contracts

Casualty insurance risks
Certain casualty risks for the Group and its affiliates are covered through the subsidiary, Sagicor Re Insurance Company Limited.

The frequency and severity of casualty claims can be affected by several factors. The most significant casualty risks under the professional indemnity, directors and officers liability, medical malpractice, contractors all risk, employer's liability and public liability policies are slip and fall accidents at the insured premises, and damage to areas occupied or contents at the insured premises due to blocked drains or burst pipes. In addition, increasing level of awards, the increasing number of cases coming to court and inflation all impact on ultimate claims costs. The Group manages these risks through its underwriting strategy and proactive claims handling. The underwriting strategy concentrates on fully reinsuring the exposures to casualty risks.

51. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Short-duration property and casualty insurance contracts (continued)

(ii) Property insurance risks
Property risks for the Group and its affiliates are covered through one of its subsidiaries, Sagicor Re Insurance Company Limited (Sagicor Re).

For property insurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example, river flooding, hurricanes, etc.) and their consequences (for example, subsidence claims). For certain contracts, there is a maximum amount payable for claims in any policy year.

The Sagicor Re has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claims payment limits are always included to cap the amount payable on occurrence of the insured event. The cost of rebuilding properties, of replacement or indemnity for contents are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from storm or flood damage.

All of the property and casualty risks insured by Sagicor Re are reinsured with unrelated reinsurance companies. However, in the event that these reinsurers are unable to meet their obligations under the reinsurance agreements, Sagicor Re would be liable to pay the gross amount of settled claims, subject to a “catch all clause”. Sagicor Re mitigates the risks associated with failure of its reinsurers by transacting only with well-established reinsurance companies. The reinsurers are primarily located in Europe, however, a portion of reinsurance is placed with reinsurers located in the Caribbean.

(b) Reinsurance risk
To limit its exposure of potential loss on an insurance policy, the insurer may cede certain levels of risk to a reinsurer. The Group selects reinsurers which have established capability to meet their contractual obligations and which generally have high credit ratings. The credit ratings of reinsurers are monitored.

For its property risks, the Group uses facultative reinsurance on a quota share and layered basis to cover single events and multiple claims arising from catastrophes. The insurer may be required to pay an additional premium to reinstate the reinsurance coverage where a claim exhausts the reinsurance limit.

For other insurance risks, insurers limit their exposure by event or per person by excess of loss or quota share treaties.

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51. Insurance and Financial Risk Management (Continued)

(b) Reinsurance risk (continued)
Retention limits represent the level of risk retained by the insurer. The Board of Directors approved policy retention limits. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. The retention programs used by the Group are summarised below:

Type of insurance contract	Retention by insurers
Health insurance contracts with groups	Retention per individual to a maximum J$1,000,000.
Life insurance contracts with individuals	Retention per individual to a maximum of J$35,000,000 and US$500,000.
Life insurance contracts with groups	Retention per individual to a maximum of J$35,000,000 and US$100,000.

(c) Cash flow and fair value interest rate risk
Cash flow risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Interest rate changes may also result in losses if asset and liability cash flows are not closely matched with respect to timing and amount. The Asset and Liability Committee sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored at least quarterly.

The return on investments may be variable, fixed for a term or fixed to maturity. On reinvestment of a matured investment, the returns available on the new investment may be significantly different from the returns formerly achieved. This is known as reinvestment risk.

The Group monitors interest rate risk by calculating the mean duration of the investment portfolio and the liabilities issued. The mean duration is an indicator of the sensitivity of the assets and liabilities to change in current interest rates. The mean duration of the liabilities is determined by means of projecting expected cash flows from the contracts using best estimate assumptions (Note 35(e) for further details).

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

(i) Long term traditional insurance contracts and some investment contracts
Insurance and investment contracts with guaranteed and fixed terms have benefit payments that are fixed and guaranteed at the inception of the contract. The financial components of these benefits may include a guaranteed fixed interest rate and hence the Group’s primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities is insufficient to fund the guaranteed benefits payable.

51. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

(ii) Long term insurance contracts and investment contracts without fixed terms
For unit-linked contracts the Group matches all the assets on which the unit prices are based with assets in the portfolio. There is no price, currency, credit, or interest rate risk for these contracts.

The Group's primary exposure to financial risk for these contracts is the risk of volatility in asset management fees due to the impact of interest rate and market price movements on the fair value of the assets held in the linked funds, on which investment management fees are based.

A decrease of 10% in the value of the assets would reduce the asset management fees to $219,196,000 (2014 - $198,166,166) per annum.

Unit-linked and interest-sensitive universal life type contracts have embedded surrender options. These embedded derivatives vary in response to the change in a financial variable (such as equity prices and interest rates). At year end, all embedded derivatives within insurance liabilities were closely related to the host contract and did not require separation.

(iii) Short term contracts
For short term insurance contracts, the Group has matched the insurance liabilities with a portfolio of debt securities. The financial assets in this portfolio are characterised by interest rate risk.

Short term liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest bearing.

The following tables summarise carrying amounts of statement of financial position assets, liabilities and equity in order to arrive at the Group and company's interest rate gap based on earlier of contractual repricing or maturity dates.

The disclosures provided in this note are based on the Group and company's investment portfolio as at 31 December 2015 and 2014.

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51. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

	The Group						
	2015						
	Immediately Rate Sensitive	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-Interest bearing	Total
	$000	$000	$000	$000	$000	$000	$000
Assets							
Cash resources	4,937,758	-	-	-	-	2,589,989	7,527,747
Cash reserve at Bank of Jamaica	6,458,895	-	-	-	-	-	6,458,895
Financial investments and pledged assets	-	34,722,167	2,700,868	40,321,512	104,661,696	24,046,389	206,452,632
Derivative financial instruments	-	-	-	-	-	192,303	192,303
Loans & leases, after allowance for credit losses	-	43,521,360	3,098	100,857	-	135,746	43,761,061
Reinsurance contracts	-	-	-	-	-	432,968	432,968
Other assets	-	-	-	-	-	10,608,458	10,608,458
Non-financial assets							
Investment properties	-	-	-	-	-	472,000	472,000
Investment in joint venture	-	-	-	-	-	759,115	759,115
Investment in associated companies	-	-	-	-	-	4,869,225	4,869,225
Intangible assets	-	-	-	-	-	5,663,052	5,663,052
Property, plant and equipment	-	-	-	-	-	4,195,227	4,195,227
Deferred income taxes	-	-	-	-	-	4,652,992	4,652,992
Taxation recoverable	-	-	-	-	-	2,887,330	2,887,330
Retirement benefit Assets	-	-	-	-	-	8,695	8,695
Other assets	-	-	-	-	-	1,448,227	1,448,227
Total assets	11,396,653	78,243,527	2,703,966	40,422,369	104,661,696	62,961,716	300,389,927

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51. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

	The Group						
	2015						
	Immediately Rate Sensitive	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Non-Interest bearing**	**Total**
	\$000	**\$000**	**\$000**	**\$000**	**\$000**	**\$000**	**\$000**
Liabilities							
Deposit and security liabilities	-	115,995,570	22,305,542	6,826,747	627,405	13,851,790	159,607,054
Derivative financial instruments	-	-	-	-	-	192,303	192,303
Other liabilities	-	-	-	-	-	11,365,871	11,365,871
Insurance contracts liabilities	-	817,489	2,409,968	12,265,445	43,572,353	2,520,568	61,585,823
Investment contracts liabilities	-	6,520,113	2,294,391	4,157,474	-	-	12,971,978
Other policy liabilities	-	763,196	-	-	-	2,296,183	3,059,379
Non-financial liabilities:							
Taxation payable	-	-	-	-	-	570,635	570,635
Retirement benefit obligations	-	-	-	-	-	4,467,473	4,467,473
Total liabilities	-	124,096,368	27,009,901	23,249,666	44,199,758	35,264,823	253,820,516
On statement of financial position interest sensitivity gap	11,396,653	(45,852,841)	(24,305,935)	17,172,703	60,461,938	27,696,893	46,569,411
Cumulative interest sensitivity gap	11,396,653	(34,456,188)	(58,762,123)	(41,589,420)	18,872,518	46,569,411	

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51. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

	The Group						
	2014						
	Immediately Rate Sensitive	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-Interest bearing	Total
	$000	$000	$000	$000	$000	$000	$000
Assets							
Cash resources	18,261,239	-	-	-	-	2,812,358	21,073,597
Cash reserve at Bank of Jamaica	5,492,491	-	-	-	-	-	5,492,491
Financial investments and pledged assets	-	36,862,522	4,561,062	36,680,705	95,086,643	18,306,777	191,497,709
Derivative financial instruments	-	571,444	-	-	-	190,288	761,732
Loans & leases, after allowance for credit losses	-	29,838,875	1,820,060	4,650,087	2,294,542	204,485	38,808,049
Reinsurance contracts	-	-	-	-	-	380,822	380,822
Other assets	-	-	-	-	-	9,024,788	9,024,788
Non-financial assets:							
Investment properties	-	-	-	-	-	871,888	871,888
Investment in joint venture	-	-	-	-	-	738,718	738,718
Intangible assets	-	-	-	-	-	4,617,001	4,617,001
Property, plant and equipment	-	-	-	-	-	3,506,736	3,506,736
Deferred income taxes	-	-	-	-	-	3,018,293	3,018,293
Taxation recoverable	-	-	-	-	-	3,114,495	3,114,495
Retirement benefit Assets	-	-	-	-	-	58,912	58,912
Other assets	-	-	-	-	-	1,250,582	1,250,582
Total assets	23,753,730	67,272,841	6,381,122	41,330,792	97,381,185	48,096,143	284,215,813

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51. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

	The Group						
	2014						
	Immediately Rate Sensitive	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-Interest bearing	Total
	$000	$000	$000	$000	$000	$000	$000
Liabilities							
Deposit and security liabilities	-	113,421,654	32,728,772	3,448,755	763,722	1,221,479	151,584,382
Derivative financial instruments	-	525,854	-	-	-	190,332	716,186
Other liabilities	-	-	-	-	-	10,631,301	10,631,301
Insurance contracts liabilities	-	744,783	2,339,451	11,203,061	39,018,448	2,520,568	55,826,311
Investment contracts liabilities	-	7,638,002	2,271,288	2,438,745	-	-	12,348,035
Other policy liabilities	-	785,931	-	-	-	2,182,583	2,968,514
Non-financial liabilities:							
Taxation payable	-	-	-	-	-	714,632	714,632
Retirement benefit obligations	-	-	-	-	-	3,361,094	3,361,094
Total liabilities	-	123,116,224	37,339,511	17,090,561	39,782,170	20,821,989	238,150,455
On statement of financial position interest sensitivity gap	23,753,730	(55,843,383)	(30,958,389)	24,240,231	57,599,015	27,274,154	46,065,358
Cumulative interest sensitivity gap	23,753,730	(32,089,653)	(63,048,042)	(38,807,811)	18,791,204	46,065,358	

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51. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

The table summarises the average effective yields by the earlier of the contractual repricing or maturity dates:

	The Group					
	2015					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 Years	Over 5 Years	Weighted Average
	%	%	%	%	%	%
Cash resources	0.06	-	-	-	-	0.06
Investments (1)	-	6.09	8.89	7.07	8.71	7.70
Loans	12.10	12.12	16.35	11.56	-	12.08
Mortgages (2)	-	9.70	9.70	9.70	9.70	9.70
Policy loans	-	-	-	-	10.91	10.91
Investment contracts	-	4.63	4.63	4.63	4.63	4.63
Bank overdraft	26.00	-	-	-	-	26.00
Deposits	-	3.47	3.80	6.53	-	3.58
Amounts due to banks and other financial institutions	-	3.36	6.48	6.65	6.60	4.50

	The Group					
	2014					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 Years	Over 5 Years	Weighted Average
	%	%	%	%	%	%
Cash resources	0.07	-	-	-	-	0.07
Investments (1)	-	7.98	4.25	6.99	7.81	6.74
Loans	16.96	10.77	8.49	11.68	9.86	11.63
Mortgages (2)	-	9.45	9.45	9.45	9.45	9.45
Policy loans	-	-	-	-	14.58	14.58
Investment contracts	-	4.39	4.39	4.39	4.39	4.39
Bank overdraft	19.00	-	-	-	-	19.00
Deposits	-	3.0	2.79	5.80	-	3.04
Amounts due to banks and other financial institutions	-	4.67	6.95	6.74	4.76	5.80

(1) Yields are based on book values and contractual interest adjusted for amortization of premiums and discounts.

(2) Yields are based on book values, net of allowances for impairment and contractual interest rates.

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51. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

Sensitivity
Sensitivity to interest rate risk is considered by operating subsidiaries. The effects of changes in interest rates of assets backing actuarial liabilities are disclosed in Note 51.

The effects of changes in interest rates of assets backing other policy liabilities, deposit and security liabilities and equity are considered below.

(d) Credit risk
The Group takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the Group by failing to discharge their contractual obligations. Credit exposures arise principally in lending and investment activities. There is also credit risk in off-statement of financial position financial instruments, such as loan commitments. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and to geographical and industry segments.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Credit-related commitment risks arise from guarantees which may require payment on behalf of customers. Such payments are collected from customers based on the terms of the letters of credit. They expose the Group to similar risks to loans and these are mitigated by the same control policies and processes
Key areas where the Group is exposed to credit risk are:

(i) Reinsurers' share of insurance liabilities – see Note 50(b) for details of reinsurance risk.
(ii) Amounts due from reinsurers in respect of claims already paid.
(iii) Loans, leases, mortgages and investments

Credit review process
The Group has established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and capital repayment obligations.

(i) Loans and leases
The Group assesses the probability of default of individual counterparties using internal ratings. Clients of the Group are segmented into five rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class.

Group's internal rating scale:

Group's rating	Description of the grade
1	Standard
2	Potential Problem Credit
3	Sub-Standard
4	Doubtful
5	Loss

51. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit review process (continued)

(i) Loans and leases (continued)
Exposure to credit risk is managed in part by obtaining collateral and corporate and personal guarantees. Counterparty limits are established by the use of a credit classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risk to which it is exposed and take corrective action.

(ii) Investments and cash
Credit risk from financial investments is minimised through holding a diversified portfolio of investments, purchasing securities and advancing loans only after careful assessment of the borrower, obtaining collateral before advancing loans, and placing deposits with financial institutions with a strong capital base. It does not generally require collateral in respect of other financial assets, mainly premiums receivable. There is a credit policy in place to minimise the Group's exposure to credit risk. Limits may be placed on the amount of risk accepted in relation to one borrower. As a result of the Central Securities Depository (CSD), all domestic Government of Jamaica securities have been dematerialised which has significantly reduced the settlement risk. At the year end date, the only significant concentration of credit risk related to the Group's investments in Government of Jamaica securities.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position without taking into account any collateral or any credit enhancements.

Collateral and other credit enhancements
The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of different types of collateral.

The main types of collateral obtained are as follows:

Loans and leases – cash and near cash securities, mortgages over commercial and residential properties, charges over business assets such as premises, equipment, inventory, accounts receivable, stocks and other securities and motor vehicles.

Securities lending and reverse repurchase transactions – cash or Government of Jamaica securities.

The Group also obtains guarantees from parent companies for loans to their subsidiaries and personal guarantees for loans given to private companies.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral held.

51. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Impairment loss provision methodology
The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades or infringement of the original terms of the contract.

The Group addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances are provided for financial assets that are above materiality thresholds based on a review conducted at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at year end date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

In addition, collectively assessed allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by taking into consideration historical losses on the portfolio, current economic conditions and expected receipts and recoveries once impaired.

Commitments and guarantees
To meet the financial needs of customers, the Group enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognized on the statement of financial position, they do not contain credit risk and are therefore part of the overall risk of the Group.

The internal rating systems described above focus more on credit-quality mapping from the inception of lending activities. In contrast, impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the year end date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower’s competitive position; and
- Deterioration in the value of collateral.

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51. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

The impairment provision shown in the statement of financial position at year-end is derived from each of the five internal rating grades. However, the majority of the impairment provision comes from the bottom two rating classes (doubtful and loss). The tables below show the Group's loans and leases and the associated impairment provision for each internal rating classes:

Group and company's rating

	The Group			
	2015		2014	
	Loans and leases	Impairment Provision	Loans and leases	Impairment provision
	$'000	$'000	$'000	$'000
Standard	39,975,442	13	31,030,120	-
Potential Problem Credit	1,777,495	1,351	5,431,387	-
Sub-Standard	1,071,934	421,066	757,296	41,457
Doubtful	397,757	136,078	615,952	176,554
Loss	2,306,923	1,209,982	3,280,878	2,089,574
	45,529,551	1,768,490	41,115,633	2,307,585

51. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements

The following table represents a worst case scenario of credit risk exposure to the Group at 31 December 2015 and 2014, without taking account of any collateral held or other credit enhancements. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

	The Group	
	Maximum exposure	
	2015	**2014**
	$'000	**$'000**
Credit risk exposures relating to on-statement of financial position are as follows:		
Cash and balances due from other financial institutions (excluding cash on hand)	14,291,783	19,727,083
Investment securities	184,869,169	175,508,833
Loans & leases, net of allowance for credit losses	43,761,061	38,808,049
Reinsurance contracts	432,968	380,822
Other assets	10,608,458	9,024,788
	253,963,439	243,449,575
Credit risk exposures relating to items not on the statement of financial position are as follows:		
Loan commitments	7,180,277	7,372,301
Guarantees and letters of credit	3,257,737	2,026,832
	10,438,014	9,399,133

Loans and leases

(i) Credit quality of loans and leases are summarised as follows:

	The Group	
	2015	**2014**
	$'000	**$'000**
Neither past due nor impaired -		
Standard	37,571,299	30,490,103
Past due but not impaired	5,693,409	7,080,188
Impaired	2,264,843	3,545,343
Gross	45,529,551	41,115,634
Less: provision for credit losses	(1,768,490)	(2,307,585)
Net	43,761,061	38,808,049

Loans and leases become past due when payments are not received on contractual repayment dates. The majority of past due loans are not considered impaired.

51. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loans and leases (continued)

(i) Credit quality of loans and leases are summarized as follows (continued):
The majority of loans are made to customers in Jamaica. The following table summarizes the credit exposure for loans at their carrying amounts, as categorised by the industry sectors:

	The Group	
	2015	**2014**
	$'000	**$'000**
Agriculture	1,161,686	1,300,903
Construction and land development	6,531,362	5,545,212
Distribution	7,789,443	8,400,052
Manufacturing	1,319,152	1,654,919
Personal	16,659,612	14,697,089
Professional and other services	6,713,422	5,695,885
Tourism and entertainment	2,092,044	2,178,742
Transportation storage and communication	427,650	864,549
Overseas residents and other	2,699,435	573,799
Total	45,393,806	40,911,150
Total provision	(1,768,490)	(2,307,585)
Interest receivable	135,745	204,484
Net	43,761,061	38,808,049

(ii) Aging analysis of past due but not impaired loans and leases:

	The Group	
	2015	**2014**
	$'000	**$'000**
Less than 30 days	4,030,509	5,320,462
31 to 60 days	1,259,811	871,452
61 to 90 days	401,322	886,507
More than 90 days	1,767	1,767
	5,693,409	7,080,188

Financial assets other than loans and leases that are past due but not impaired are mortgage loans up to three months of $18,751,000 (2014 - $16,256,000).

The Group holds adequate collateral for past due not impaired loans and leases.

51. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loans and leases (continued)

(iii) Financial assets – individually impaired

Financial assets that are individually impaired before taking into consideration the cash flows from collateral held are as follows:

	The Group	
	2015	**2014**
	$'000	**$'000**
Loans and leases	2,264,842	3,545,343
Mortgage loans	293,125	244,354

There are no financial assets other than those listed above that were individually impaired.

(iv) Renegotiated loans and leases

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

The determination of whether a loan would qualify for renegotiation is made only if all factors indicate that the borrower is able to repay in full (including interest). In making this assessment, the Group takes its historic experience with the borrowers, their expected future cash flows, collateral valuations and any guarantees into consideration. Therefore, at the time of modification, all renegotiated loans are interest bearing with interest being calculated using the terms of the modified loan.

All renegotiated loans are individually assessed for impairment as the active renegotiation of a loan as a result of borrower difficulty, as defined in paragraph 59(c) of IAS 39, is considered a trigger for determining whether the loan should be tested for impairment. In carrying out its assessment, the Group uses the same methodology as with any other loan in the portfolio that exhibits other objective evidence of impairment. These loans are, however, actively monitored for at least 12 months from the time of renegotiation to determine whether circumstances have changed that would result in the loan being impaired or whether there should be an increase in the current level of impairment.

(v) Repossessed collateral

The Group can obtain assets by taking possession of collateral held as security.

Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. In general, the Group do not occupy repossessed properties for business use.

The Group is in the process of repossessing collateral totaling $52,070,000 (2014 - $56,270,000).

51. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit exposure

Investments and cash
The following table summarizes the credit exposure of the Group to businesses and government by sectors in respect of investments and cash:

	The Group	
	2015	**2014**
	$'000	**$'000**
Government of Jamaica securities	109,778,408	104,641,838
Foreign government securities	13,390,532	10,753,516
Corporate bonds	53,956,798	50,329,083
Financial institutions	15,256,453	23,314,287
Mortgage loans	2,681,710	2,189,363
Policy loans	904,955	906,489
Promissory notes	48,000	498,000
	196,016,856	192,632,576
Interest receivable	3,144,096	2,603,340
	199,160,952	195,235,916

There are equal and offsetting claims against customers in the event of a call on the above commitments for customer guarantees and letters of credit.

51. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit exposure (continued)
The Group's exposures to individual counterparty credit risks exceeding 2.5% of exposures by class are set out below:

	The Group	
	2015	**2014**
	$'000	**$'000**
Debt securities:		
Government of Jamaica debt securities	111,813,599	106,246,560
Deposits and cash:		
Bank of America	1,826,432	3,431,176
Citibank N.A.	1,584,873	12,088,816
Bank of Jamaica	6,458,895	5,514,264
National Commercial Bank Jamaica Limited	210,452	90,362
The Bank of Nova Scotia Jamaica Limited	219,529	67,478
Reinsurance contracts:		
Swiss Re - rated A+ (superior) by A.M Best	256,504	178,578
Munich Re - rated A+ (superior) by A.M Best	33,650	33,395

Exposure to credit risk is also managed in part by obtaining collateral and guarantees for mortgage loans. For mortgage loans, the collateral is real estate property, and the approved loan is usually no more that 95% of collateral value.

Policy loans are advanced on the security of the underlying insurance policy cash values. Cash loans are advanced to a maximum of 80% of the cash surrender value. Automatic premium loans are advanced to the extent of available cash surrender value.

For securities purchased under agreement to resell, title to securities are transferred to the Group by agreement, and for the duration of the latter.

Past due and impaired financial investments
Debt securities are assessed for impairment when amounts are past due, when the borrower is experiencing cash flow difficulties, or when the borrower's credit rating has been downgraded.

Mortgages less than 90 days past due are not assessed for impairment unless other information is available to indicate the contrary.

51. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

The Group is exposed to daily calls on their available cash resources from overnight placement of funds, maturing placement of funds, loan draw-downs and guarantees. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of investment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Liquidity risk management process

The Group's liquidity management process, as carried out within the Group and monitored by the Treasury Department, includes:

(i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required;

(ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

(iii) Maintaining committed lines of credit and optimising cash returns on investments;

(iv) Monitoring statement of financial position liquidity ratios against internal and regulatory requirements. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities; and managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for companies ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

Certain investment portfolios within the Group contain securities which can only be disposed of over a period of time. In such instances, the Group generally maintains higher levels of short term instruments to compensate for the relative illiquidity of the aforementioned securities.

The disclosures provided in this note are based on the Group's and the company's investment portfolio as at 31 December 2015 and 2014.

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51. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

The tables below present the undiscounted cash flows payable (both interest and principal cash flows) of the Group's financial and non-financial liabilities based on contractual repayment obligations. The Group expects that many policyholders/customers will not request repayment on the earliest date the Group could be required to pay. The expected maturity dates of financial assets and liabilities are based on estimates made by management as determined by retention history.

	The Group					
	Within 3 months	3-12 months	1-5 years	Over 5 years	No specific maturity	Total
Undiscounted Financial Liabilities - 31 December 2015	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Deposit and security liability	131,211,296	25,230,412	3,783,061	1,351,968	-	161,576,737
Derivative financial instruments	104,839	21,329	66,135	-	-	192,303
Other liabilities	4,190,425	1,961,487	-	-	5,213,959	11,365,871
Insurance contracts liabilities	817,489	2,409,968	12,265,445	46,092,921	-	61,585,823
Investment contracts liabilities	6,520,113	2,294,391	4,223,935	-	-	13,038,439
Other policy liabilities	763,196	2,296,183	-	-	-	3,059,379
Total undiscounted liabilities	143,607,358	34,213,770	20,338,576	47,444,889	5,213,959	250,818,552

	Within 3 months	3-12 months	1-5 years	Over 5 years	No specific maturity	Total
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Undiscounted Financial Liabilities - 31 December 2014						
Deposit and security liabilities	117,181,127	30,727,202	4,601,466	1,317,801	-	153,827,596
Derivative financial instruments	662,445	24,565	162,838	-	-	849,848
Other liabilities	5,670,479	1,052,954	-	669	3,907,199	10,631,301
Insurance contracts liabilities	744,783	2,339,451	11,203,061	41,539,016	-	55,826,311
Investment contracts liabilities	7,638,002	2,271,288	2,500,106	-	-	12,409,396
Other policy liabilities	785,931	2,182,583	-	-	-	2,968,514
Total undiscounted liabilities	132,682,767	38,598,043	18,467,471	42,857,486	3,907,199	236,512,966

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51. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

Off-balance sheet items
The tables below show the contractual expiry by maturity of commitments.

	The Group			
	No later than 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
At December 31, 2015				
Credit commitments	7,298,657	-	-	7,298,657
Guarantees, acceptances and other financial facilities	2,847,409	360,328	50,000	3,257,737
Operating lease commitments	132,111	451,660	-	583,771
Capital commitments	1,580,536	-	-	1,580,536
	11,858,713	811,988	50,000	12,720,701
At December 31, 2014				
Credit commitments	4,905,835	875,182	1,591,284	7,372,301
Guarantees, acceptances and other financial facilities	1,401,687	176,267	284,158	1,862,112
Operating lease commitments	344,125	209,041	99,131	652,297
Capital commitments	1.196,866	-	-	1,196,866
	7,848,513	1,260.490	1,974,573	11,083,576

Lease payments, including maintenance, for Group during the year were $581,204,000 (2014 – 666,519,000).

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51. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

The tables below reflect the expected maturities of the Group's discounted financial and non-financial assets and liabilities at the year-end date.

	The Group					
	2015					
	Within 3 months	3-12 months	1-5 years	Over 5 years	No specific maturity	Total
Assets	$000	$000	$000	$000	$000	$000
Cash resources	7,527,747	-	-	-	-	7,527,747
Cash reserve at Bank of Jamaica	6,458,895	-	-	-	-	6,458,895
Financial investments & pledged assets	9,269,816	4,885,395	50,274,705	122,787,609	19,235,107	206,452,632
Derivative financial instruments	104,839	21,329	66,135	-	-	192,303
Loans and leases, after allowance for credit losses	6,161,213	1,215,896	4,811,238	31,572,714	-	43,761,061
Reinsurance contracts	-	432,968	-	-	-	432,968
Other assets	5,213,575	353,699	90,520	-	4,950,664	10,608,458
Non-financial assets:						
Investment properties	-	-	-	-	472,000	472,000
Investment in joint venture	-	-	-	-	759,115	759,115
Investment in associated companies	-	-	-	-	4,869,225	4,869,225
Intangible assets	-	-	-	5,663,052	-	5,663,052
Property, plant and equipment	-	-	-	-	4,195,227	4,195,227
Deferred income taxes	-	4,652,992	-	-	-	4,652,992
Taxation recoverable	2,887,330	-	-	-	-	2,887,330
Retirement benefit assets	-	-	-	8,695	-	8,695
Other assets	338,976	543,484	184,967	166,517	214,283	1,448,227
Total assets	37,962,391	12,105,763	55,427,565	160,198,587	34,695,621	300,389,927

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51. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	The Group					
	2015					
	Within 3 months	3-12 months	1-5 years	Over 5 years	No specific maturity	Total
	$000	$000	$000	$000	$000	$000
Liabilities						
Deposit and security liabilities	129,614,024	21,639,894	7,461,929	891,207	-	159,607,054
Derivative financial instruments	104,839	21,329	66,135	-	-	192,303
Other liabilities	4,190,425	1,948,145	-	-	5,213,959	11,352,529
Insurance contracts liabilities	817,489	2,409,968	12,265,445	46,092,921	-	61,585,823
Investment contracts liabilities	6,520,113	2,294,391	4,157,474	-	-	12,971,978
Other policy liabilities	763,196	2,296,183	-	-	-	3,059,379
Non-financial liabilities:						
Taxation payable	570,635	-	-	-	-	570,635
Retirement benefit obligations	-	-	-	4,467,473	-	4,467,473
Total liabilities	142,580,721	30,623,252	23,950,983	51,451,601	5,213,959	253,820,516
On statement of financial position interest sensitivity gap	(104,618,330)	(18,517,489)	31,476,582	108,746,986	29,481,662	46,569,411
Cumulative interest sensitivity gap	(104,618,330)	(123,135,819)	(91,659,237)	17,087,749	46,569,411	

	2014					
Total assets	48,802,737	18,010,778	58,494,068	134,131,889	24,776,341	284,215,813
Total liabilities	132,636,351	38,036,851	17,905,488	45,664,566	3,907,199	238,150,455
On statement of financial position interest sensitivity gap	(83,833,614)	(20,026,074)	40,588,580	88,467,323	20,869,142	46,065,358
Cumulative interest sensitivity gap	(83,833,614)	(103,859,687)	(63,271,107)	25,196,2162	46,065,358	

51. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	The Company					
	2015					
	Within 3 months	3-12 months	1-5 years	Over 5 years	No specific maturity	Total
Assets	$000	$000	$000	$000	$000	$000
Cash resources	93,417	-	-	-	-	93,417
Financial investments & pledged assets	44,667	9,165	-	1,712,213	-	1,766,045
Other assets	-	17,027	73,919	-	-	90,946
Non-financial assets:						
Investment in subsidiaries	-	-	-	-	57,631,781	57,631,781
Investment in associated companies	-	-	-	-	3,305,560	3,305,560
Intangible assets	-	-	-	1,197,386	-	1,197,386
Property, plant and equipment	-	-	-	-	189,608	189,608
Deferred income taxes	-	88,261	-	-	-	88,261
Taxation recoverable	161,938	-	-	-	-	161,938
Other assets	-	23,186	-	-	-	23,186
Total assets	300,022	137,639	73,919	2,909,599	61,126,949	64,548,128
Liabilities						
Taxation payable	-	-	-	-	85,868	85,868
Other liabilities	1,640,219	-	-	-	-	1,640,219
Promissory notes	-	8,424,731	3,338,955	-	-	11,763,686
Total liabilities	1,640,219	8,424,731	3,338,955	-	85,868	13,489,773
On statement of financial position interest sensitivity gap	(1,340,197)	(8,287,092)	(3,265,036)	2,909,599	61,041,081	51,058,355
Cumulative interest sensitivity gap	(1,340,197)	(9,627,289)	(12,892,325)	(9,982,726)	51,058,355	
	2014					
Total assets	145,645	821,065	440,921	4,899,745	57,444,762	63,752,138
Total liabilities	677,990	631,132	10,894,546	-	-	12,203,668
On statement of financial position interest sensitivity gap	(532,345)	189,933	(10,453,625)	4,899,745	57,444,762	51,548,470
Cumulative interest sensitivity gap	(532,345)	(342,412)	(10,796,037)	(5,896,292)	51,548,470	

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, central bank balances, items in the course of collection, investment securities and other eligible bills, loans and advances to banks, and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, debt securities and treasury and other bills have been pledged to secure liabilities. The Group is also able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from other financing institutions.

51. Insurance and Financial Risk Management (Continued)

(f) Market risk

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Investment department which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

(i) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price, other than those arising from currency or interest rate risk, whether those changes are caused by factors specific to the instrument or affecting all similar instruments in the market.

The Group is exposed to equity securities price risk because of investments held by the Group and classified as available-for-sale or at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with limits set by the Group.

The Group's investments in equity securities are publicly traded on the Jamaica Stock Exchange (JSE) and the National Association of Securities Dealers Automated Quotation System (NASDAQ). The Group's sensitivity to equity securities price risk is disclosed in Note 50(iii).

(ii) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk occurs when the Group takes an open position in a currency. To control this exchange risk the Asset and Liability Committee (ALCO) has approved limits for net open position in each currency for both intra-day and overnight position. This limit may vary from time to time as determined by ALCO.

The Group also has transactional currency exposure. Such exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to settle. The Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign assets to address short term imbalances.

The Group's operations in the Cayman Islands create two additional sources of currency risk:

- The operating results of the Group's foreign subsidiaries in the Group financial statements are translated at the average exchange rate prevailing during the period.
- The equity investment in the foreign subsidiaries is translated into Jamaican dollars using the closing exchange rate.

Concentrations of currency risk

The Group and the company are most sensitive to currency risk in its operating currencies which float against the United States dollar.

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51. Insurance and Financial Risk Management (Continued)

The following tables summarise the exposure of the Group and the company to foreign currency exchange rate risk. Included in the tables are the Group and the company's assets and liabilities at carrying amounts categorised by currency.

(f) Market risk (continued)

(ii) Currency risk (continued)

Concentrations of currency risk (continued)

	The Group			
	2015			
	Jamaican $	US$	Other	Total
	$'000	$'000	$'000	$'000
Financial assets				
Cash resources	1,684,977	4,008,151	1,834,618	7,527,747
Cash reserve at Bank of Jamaica	3,800,391	2,514,296	144,208	6,458,895
Financial investments and pledged assets	75,960,911	129,891,044	600,677	206,452,632
Derivative financial instruments	-	192,303	-	192,303
Loans & leases, after allowance for credit losses	33,461,480	10,299,581	-	43,761,061
Reinsurance contracts	142,750	290,218	-	432,968
Other assets	9,480,903	1,051,418	76,137	10,608,458
Non-financial assets:				
Investment properties	472,000	-	-	472,000
Investment in joint venture	-	759,115	-	759,115
Investment in associated companies	4,869,225	-	-	4,869,225
Intangible assets	5,028,499	634,553	-	5,663,052
Property, plant and equipment	3,718,795	476,432	-	4,195,227
Retirement benefit assets	8,695	-	-	8,695
Deferred income taxes	4,652,992	-	-	4,652,992
Taxation recoverable	2,887,330	-	-	2,887,330
Other assets	1,431,197	17,030	-	1,448,227
Total assets	147,600,145	150,134,141	2,655,640	300,389,927
Financial liabilities				
Deposit and security liabilities	57,010,112	100,117,013	2,479,929	159,607,054
Derivative financial instruments	-	192,303	-	192,303
Other liabilities	10,392,713	941,601	31,557	11,365,871
Insurance contracts liabilities	32,560,277	26,796,596	2,228,950	61,585,823
Investment contracts liabilities	7,992,767	4,914,562	64,650	12,971,978
Other policy liabilities	2,248,626	288,159	522,594	3,059,379
Non-financial liabilities:				
Taxation payable	570,635	-	-	570,635
Retirement benefit obligations	4,467,473	-	-	4,467,473
Total liabilities	115,242,603	133,250,234	5,327,679	253,820,516
Net on statement of financial position	32,357,542	16,883,907	(2,672,039)	46,569,411

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51. Insurance and Financial Risk Management (Continued)

(f) Market risk (continued)

(ii) *Currency risk (continued)*

Concentrations of currency risk (continued)

	The Group			
	2014			
	Jamaican $	US$	Other	Total
	$'000	$'000	$'000	$'000
Financial assets				
Cash resources	1,782,985	16,938,229	2,352,383	21,073,597
Cash reserve at Bank of Jamaica	3,669,453	1,649,832	173,206	5,492,491
Financial investments and pledged assets	65,266,530	124,403,381	1,827,798	191,497,709
Derivative financial instruments	-	761,732	-	761,732
Loans & leases, after allowance for credit losses	28,316,958	10,491,091	-	38,808,049
Reinsurance contracts	104,231	276,591	-	380,822
Other assets	8,145,785	709,585	169,418	9,024,788
Non-financial assets:				
Investment properties	445,000	426,888	-	871,888
Investment in joint venture	-	738,718	-	738,718
Intangible assets	4,616,396	605	-	4,617,001
Property, plant and equipment	3,479,315	27,421	-	3,506,736
Retirement benefit assets	58,912	-	-	58,912
Deferred income taxes	3,018,293	-	-	3,018,293
Taxation recoverable	3,114,495	-	-	3,114,495
Other assets	1,191,472	59,110	-	1,250,582
Total assets	123,209,824	156,483,184	4,522,805	284,215,813
Financial liabilities				
Deposit and security liabilities	59,673,089	88,815,756	3,095,537	151,584,382
Derivative financial instruments	-	276,179	440,007	716,186
Other liabilities	9,052,472	1,538,397	40,432	10,631,301
Insurance contracts liabilities	30,882,533	23,012,289	1,931,489	55,826,311
Investment contracts liabilities	7,568,782	4,687,596	91,657	12,348,035
Other policy liabilities	2,154,839	298,328	515,347	2,968,514
Non-financial liabilities:				
Taxation payable	714,632	-	-	714,632
Retirement benefit obligations	3,361,094	-	-	3,361,094
Total liabilities	113,407,441	118,628,545	6,114,469	238,150,455
Net on statement of financial position	9,802,383	37,854,639	(1,591,664)	46,065,358

52. Sensitivity Analysis

Actuarial liabilities for the Group comprise 72.54% (2014 – 71.18%) of total Policyholders' Funds. The determination of actuarial liabilities is sensitive to a number of assumptions, and changes in those assumptions could have a significant effect on the valuation results. These factors are discussed in detail in Note 34(e).

(i) Sensitivity arising from the valuation of life insurance and annuity contracts

In summary, the valuation of actuarial liabilities of life insurance and annuity contracts is sensitive to:

- the economic scenario,
- the investments allocated to back the liabilities,
- the underlying assumptions used, and
- the margins for adverse deviations.

The Appointed Actuary tests the actuarial liabilities under several economic scenarios. These tests have been done and the liabilities have been derived from the scenarios which produce the worst results.

The assumption for future investment yields has a significant impact on actuarial liabilities.

The other assumptions to which the actuarial liabilities of the Group are most sensitive, are in descending order of impact:

- Mortality and morbidity
- Operating expenses and taxes
- Lapse rates

(ii) Dynamic capital adequacy testing (DCAT)

DCAT is a technique used to assess the adequacy of an insurer's future financial condition in the light of different future economic and policy experience scenarios. DCAT assesses the impact over the next 5 years on the insurer's financial position and financial condition under specific scenarios.

The financial position of an insurer is reflected by the amounts of assets, liabilities and equity in the statement of financial position at a given date.

The financial condition of an insurer at a particular date is its prospective ability at that date to meet its future obligations, especially obligations to policyholders, those to whom it owes benefits and to its shareholders.

The purpose of the DCAT is:

- to develop an understanding of the sensitivity of the total equity of the insurer and future financial condition to changes in various experience factors and management policies;
- to alert management and the Board to material, plausible and imminent threats to the insurer's solvency; and
- to describe possible courses of action to address these threats.

A DCAT analysis has been completed for Sagicor Life Jamaica Limited and Sagicor Life of the Cayman Islands Ltd.

52. Sensitivity Analysis (Continued)

(ii) Dynamic capital adequacy testing (DCAT) (continued)

The results are as follows:

(i) Worsening rate of lapse. The scenario was tested in either of the following ways:

For business which produces higher valuation reserves with an increase in lapse rates, the scenario lapse rates were doubled. For business which produces higher valuation reserves with a decrease in lapse rates, the scenario lapse rates were halved.

Overall, this scenario produces adverse results in 2014 and for the next five years.

(ii) High interest rate. An assumed increase in portfolio rate of 0.5% per year for 10 years. Overall, this scenario produces favourable results in 2014 and for the next five years.

(iii) Low interest rate. An assumed decrease in portfolio rate of 0.5% for 10 years was tested in this scenario. Overall, this scenario produces adverse results in 2014 and for the next five years.

(iv) Worsening mortality and morbidity. To test this scenario, mortality and morbidity rates were increased for life insurance, health and critical illness products and decreased for annuity products. For life insurance, health and critical illness products, rates were increased by 3% of the base rate per year for 5 years. For annuity products, rates were decreased by 3% of the base rate for 5 years. Overall, this scenario produces adverse results in 2014 and for the next five years.

(v) Higher expenses. Higher unit maintenance expenses were tested by setting the unit expense rate for each projection year 5% greater than the unit expense rate assumed in the base scenario. Overall, this scenario produces adverse results in 2014 and for the next five years.

(vi) Level new business. New business planned for 2014 was maintained for the 5 year period. Overall, this scenario has no effect on the liabilities in 2014 but produces favourable results for the next five years.

(vii) Double new business. New business planned for the 5 year period was projected to grow at twice the rate of growth anticipated in the base scenario. Overall, this scenario has no effect on the 2014 liabilities, but will produce net lower liabilities over the next five years.

52. Sensitivity Analysis (Continued)

(ii) Dynamic capital adequacy testing (DCAT) (continued)

The DCAT conducted has not tested any correlation that may exist between assumptions. The use of differing sensitivity rates by insurers reflects differences in the insurers' environment.

The following table represents the estimated sensitivity of each of the above scenarios to net actuarial liabilities totalling $61,588,181,000 for the Group at the year-end date.

		The Group	
Variable	**Change in Variable**	**2015 Change in Liability $'000**	**2014 Change in Liability $'000**
Worsening of mortality/morbidity	+3% for 5 yrs.	3,222,894	3,043,719
Improvement in annuitant mortality	-3% for 5 yrs.	843,159	742,384
Lowering of investment return	-0.5% for 10 yrs.	16,346,312	14,429,908
Worsening of base renewal expense and inflation rate	+5% for 5 yrs.	1,916,240	1,927,442
Worsening of lapse rate	x2 or x0.5	4,817,340	4,742,506
High Interest	+0.5% for 10 yrs.	(12,142,133)	(11,266,347)

(iii) Sensitivity arising from a decline in equity prices

The Group is sensitive to fair value risk on its financial assets at fair value through profit or loss and available for sale equity securities. The effects of an increase by 10% and a decrease by 10% in equity prices at the year end date are set out below.

	The Group	
	Carrying Value $'000	**Effect of 10% change at 31 December 2015 $'000**
Financial assets at fair value through profit or loss and available for sale equity securities:		
Listed on Jamaica Stock Exchange	668,963	66,896
Listed on US stock exchanges	3,971,194	397,119
Other	14,605,774	1,460,578
	19,245,931	1,924,593

52. Sensitivity Analysis (Continued)

(iv) Sensitivity arising from currency risk

The Group is most sensitive to currency risk in its operating currencies which float against the United States dollar.

The effect of a further 15% (2014 – 15%) depreciation and a 1% (2014 – 1%) appreciation in the Jamaican dollar (JMD) relative to the United States dollar (USD) at the year-end date is considered in the following tables.

The Group

	2015			2014		
	Balances Denominated in other than JMD $'000	Effect of a 15% depreciation at 31 December 2015 $'000	Effect of a 1% appreciation at 31 December 2015 $'000	Balances denominated in other than JMD $'000	Effect of a 15% depreciation at 31 December 2014 $'000	Effect of a 1% appreciation at 31 December 2014 $'000
Statement of financial position:						
Assets	152,879,907	175,811,893	151,351,108	161,005,989	185,156,887	159,395,929
Liabilities	138,744,326	159,555,974	137,356,882	124,743,014	143,454,466	123,495,583
Net position	14,135,582	16,255,919	13,994,226	36,262,975	41,702,422	35,900,345
Income statement:						
Net income	-	2,773,477	(97,813)	-	5,803,175	(386,878)
Equity	-	(653,139)	43,543	-	(363,729)	24,249

52. Sensitivity Analysis (Continued)

(v) Development of Property and Casualty claims

The development of an insurer's claims in the course of settlement provides a measure of its ability to estimate the ultimate value of claims incurred. In the table below, the estimate of total claims incurred for each year is provided at successive year ends. The most recent estimate is then reconciled to the liability recognised in the statement of financial position.

	The Group			
	2013	**2014**	**2015**	**Total**
Gross	**$'000**	**$'000**	**$'000**	**$'000**
Estimate of ultimate claims incurred:				
At the end of the reporting year	6,123	50,707	4,697	61,527
One year later	2,203	42,834	-	45,037
Two years later	1,759		-	1,759
Current estimate of cumulative claims	1,759	48,325	4,697	49,290
Cumulative payments to date	(1,759)	(30,751)	(404)	(32,914)
Liability recognised in the statement of financial position	-	12,084	4,293	16,377
Liability in respect of prior years and ULAE				4,592
Total liability				20,969

The reinsurers' share of the amounts in the following table is set out below.

Reinsurers' share	**2013**	**2014**	**2015**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Estimate of ultimate claims incurred:				
At the end of the reporting year	6,123	50,707	4,697	61,527
One year later	2,203	42,834	-	45,037
Two years later	1,759	-	-	1,759
Current estimate of cumulative claims	1,759	48,325	4,697	49,290
Cumulative payments to date	(1,759)	(30,751)	(404)	(32,914)
Recoverable recognised in the statement of financial position	-	12,084	4,293	16,377
Recoverable in respect of prior years				4,592
Total recoverable from reinsurers				20,969

52. Sensitivity Analysis (Continued)

(vi) Interest rate sensitivity

For Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited, the following tables indicate the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the income statements and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on the floating rate of financial assets and financial liabilities. The sensitivity of stockholders' equity is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The correlation of a number of variables will have an impact on market risk. It should be noted that movements in these variables are non-linear and are assessed individually.

	Sagicor Investments Jamaica Limited			
	Effect on Net Profit 2015 $'000	Effect on Equity 2015 $'000	Effect on Net Profit 2014 $'000	Effect on Equity 2014 $'000
Change in percentage				
J$: -1%, US$: -0.5%				
(2014 – J$: -1%, US$: -0.5%)	497,329	1,226,019	90,020	962,031
J$: +2.5%, US$: +2%				
(2014 – J$: +2.5%, US$: +2%)	(820,315)	(4,304,597)	(499,367)	(3,030,766)

	Sagicor Bank Jamaica Limited			
	Effect on Net Profit 2015 $'000	Effect on Equity 2015 $'000	Effect on Net Profit 2014 $'000	Effect on Equity 2014 $'000
Change in percentage				
J$: -1%, US$: -0.5%				
(2014 – J$: -1%, US$: -0.5%)	239,689	398,041	287,497	286,585
J$: +2.5%, US$: +2%				
(2014 – J$: +2.5%, US$: +2%)	(745,179)	(1,293,583)	(825,699)	(974,528)

53. Capital Management

The Group manages its capital resources according to the following objectives:

- To comply with capital requirements established by insurance, banking and other financial intermediary regulatory authorities;
- To comply with internationally recognised capital requirements for insurance, where local regulations do not meet these international standards;
- To safeguard its ability to meet future obligations to policyholders, depositors, note-holders and stockholders;
- To provide adequate returns to stockholders by pricing insurance, investment and other contracts commensurately with the level of risk; and
- To maintain a strong capital base which are sufficient for the future development of the Group's operations.

The principal capital resources of the Group comprise its stockholders' equity, its non-controlling interest equity, and its debt financing. The summary of these resources at the year end is as follows:

	2015	**2014**
	$'000	**$'000**
Stockholders' equity	46,569,411	46,065,358
Non-controlling interests	-	-
Total statement of financial position capital resources	46,569,411	46,065,358

The Group deploys its capital resources to activities carried out through various lines of business in operating companies which are either insurance entities or provide other financial services. The capital is deployed in such a manner as to ensure that each line of business generates the desired return on capital employed, that the operating companies have adequate and sufficient capital resources to carry out their activities and to meet regulatory requirements.

Required capital adequacy information is filed with the regulators in the countries in which the Group operates, Jamaica monthly; Cayman Islands annually.

(expressed in Jamaican dollars unless otherwise indicated)

53. Capital Management (Continued)

The capital adequacy of the principal operating entities within the Group is set out below.

(a) Sagicor Life Jamaica Limited

Capital adequacy is managed at the operating company level. It is calculated monthly by the Appointed Actuary and reviewed by Executive Management and the Board of Directors. In addition, The company seeks to maintain internal capital adequacy at levels higher than the regulatory requirements. To assist in evaluating the current business and strategy opportunities, a risk-based capital approach is one of the core measures of financial performance. The risk-based assessment measure which has been adopted is the Minimum Continuing Surplus and Capital Requirement (MCCSR) standard as per the Insurance Regulations, 2001. The minimum standard required Insurance Regulations 2001 at the year-end date is an MCCSR of 150%. The MCCSR for the Sagicor Life Jamaica Limited as at 31 December 2015 and 2014 is set out below.

	2015	**2014**
Sagicor Life Jamaica Limited	201.5%	182.2%

(b) Sagicor Life of the Cayman Islands Ltd.

During 2013, the Cayman Islands Insurance (Capital and Solvency) (Class A Insurers) Regulations became effective. The minimum capital requirement for a local Class A insurer was established as the greater of US$300,000, or the square root of the sum of the square of five risk components – assets, policy liabilities, subsidiaries, catastrophe exposure and foreign exchange. Additionally, the prescribed capital for a local Class A insurer must be at least 125% of the minimum capital requirement. As at the year-end date, the prescribed capital requirement was US$26,015,000 (2014 - $18,262,000) and available capital when expressed as a percentage of prescribed capital, was 162.2% (2014 – 294.1%).

The MCCSR for Sagicor Life of the Cayman Ltd., based on the Canadian Regulatory Standards, is set out below.

	2015	**2014**
Sagicor Life of the Cayman Islands Ltd.	282.35%	258.26%

(c) Sagicor Bank Jamaica Limited and Sagicor Investments Jamaica Limited

The objectives when managing capital, which is a broader concept than the ‘equity’ on the face of statement of financial position, are:

(i) To comply with the capital requirements set by the regulators of the financial markets where the Banks within the Group operate;

(ii) To safeguard the Banks’ ability to continue as a going concern so that they can continue to provide returns for stockholders and benefits for other stakeholders; and

(iii) To maintain a strong capital base to support the development of the business.

53. Capital Management (Continued)

Capital adequacy and the use of regulatory capital are monitored monthly by management employing techniques based on the guidelines developed by the Financial Services Commission (FSC), the Bank of Jamaica (BOJ), Basel II and the Risk Management and Compliance Unit. The required information is filed with the respective Regulatory Authorities at stipulated intervals.

The BOJ and the FSC require each regulated entity to:

(i) Hold the minimum level of the regulatory capital; and

(ii) Maintain a minimum ratio of total regulatory capital to the risk-weighted assets.

The regulatory capital is divided into two tiers:

(i) Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and

(ii) Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and revaluation on property, plant and equipment.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The capital risk ratios for Sagicor Bank Jamaica Limited and Sagicor Investments Jamaica Limited at the year-end were as follows:

	Sagicor Investments Jamaica Limited		Sagicor Bank Jamaica Limited	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Total regulatory capital	9,519,827	8,329,959	12,067,069	9,858,057
Total required capital	6,957,065	6,178,035	8,597,798	6,607,627
Actual capital base to risk	14%	13%	14%	15%
Required capital base to risk	10%	10%	10%	10%

(i) During 2015 and 2014, both banking entities complied with all of the externally imposed capital requirements to which they are subject.

(ii) Derivative products
The Banks' derivative activities give rise to open positions in portfolios of derivatives. These positions are managed constantly to ensure that they remain within acceptable risk levels, with matching deals being utilised to achieve this where necessary. When entering into derivative transactions, the credit risk management procedures to assess and approve potential credit exposures are the same that are used for traditional lending.

54. Fiduciary Risk

Certain subsidiaries in the Group provide custody, trustee, corporate administration, investment management or advisory services to third parties which involve these subsidiaries making allocation and purchase and sale decisions in relation to a wide range of financial instruments. These assets are not included in these financial statements. As at 31 December 2015, these subsidiaries had financial assets under administration of approximately $225,927,428,000 (2014 - $177,111,298,000) as follows:

	The Group	
	2015	**2014**
	$'000	**$'000**
Sagicor Sigma Global Funds	73,886,487	62,061,809
Custody portfolio	21,312,852	16,438,296
Real Estate Investment Trust	386,919	381,086
Pooled Investment Funds	97,985,976	73,650,002
Self-directed pension funds	32,324,842	24,558,618
Pension property investment trusts	30,352	21,487
	225,927,428	177,111,298

55. Contingent Liabilities

Legal proceedings

The Group and the company are subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the Group which, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both the financial position and results of operations.

56. Litigation

On March 17, 2014 the Supreme Court of Jamaica granted judgement in favour of a claimant in a case brought against Sagicor Bank Jamaica Limited (formerly RBC Royal Bank Jamaica Limited).

This claim pre-dated the acquisition of control of the Bank by Sagicor Group Jamaica Limited, and also pre-dated the acquisition of control of the Bank by RBTT from Finsac Limited ("Finsac") in 2001. By virtue of the Share Sale Agreement entered into between Finsac, RBTT Financial Holdings Limited and RBTT International Limited, Finsac agreed to fully indemnify RBTT International Limited (now SGJ Holdings (St. Lucia) Limited). Thought the judgement is being appealed, the amount computed as settlement has been recorded as payable to the claimant and correspondingly receivable from Finsac.

57. Acquisition of Subsidiary

In June 2014, the Group acquired 100% of the share capital of RBC Royal Bank (Jamaica) Limited and its subsidiary, RBC Securities (Jamaica) Limited. The acquisition was recorded based on provisionally determined values in 2014. These balances were finalized during the year. The adjustments made during the measurement period of $119,628,000 were recognized during the current year as they were not material to the Group.

The acquired business contributed post acquisition revenues of $2,058,819,000 and losses of $534,513,000 for the year ended 31 December 2014.

	Provisional Fair Values $'000	**Finalized Fair Values $'000**
Net assets arising on the acquisition:		
Cash	14,054,108	14,054,108
Balances with Central Bank	4,282,769	4,282,769
Investment securities	3,703,815	3,703,815
Loans, net of provision for credit losses	24,487,533	24,487,533
Securities purchased under resale agreements	1,424,960	1,424,960
Intangibles assets	1,139,000	1,139,000
Property, plant and equipment	1,552,056	1,552,056
Other assets	93,208	93,208
Deferred tax assets	3,382,745	3,382,745
Taxation recoverable	1,208,010	1,208,010
Due to banks and other financial institutions	(2,104,666)	(2,104,666)
Customer deposits	(37,251,948)	(37,251,948)
Deferred tax liabilities	(675,064)	(675,064)
Taxation payable	(467,347)	(467,347)
Other liabilities	(1,079,866)	(1,199,494)
Post-retirement benefit obligations	(1,211,096)	(1,211,096)
	12,538,217	12,418,589

	$'000
Purchase consideration - Cash	9,327,037
Net assets acquired	12,538,217
Negative goodwill	3,211,180
Cash paid	9,327,037
Cash and cash equivalents included in net assets acquired	19,761,837
Restricted cash	(4,412,563)
Net cash inflow on acquisition	6,022,237

57. Offsetting Financial Assets and Financial Liabilities

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

	The Group						
	2015						
					Related amounts not set off in the statement of financial position		
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master netting agreements	Cash collateral	Financial instruments collateral	Net amounts
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Cash resources	11,396,574	-	11,396,574	-	(6,458,895)	-	4,937,679
Financial investments	250,405,996	-	250,405,996	(75,756,001)	-	(14,400,782)	160,249,213
Other assets	10,608,458	-	10,608,458	-	-	-	10,608,458
	272,411,028	-	272,411,028	(75,756,001)	(6,458,895)	(14,400,782)	175,795,350
	2014						
Assets							
Cash resources	23,753,729	-	23,753,729	-	(5,492,491)	-	18,261,238
Financial investments	231,067,490	-	231,067,490	(90,582,314)	-	(12,158,616)	128,326,560
Other assets	9,024,788	-	9,024,788	-	-	-	9,024,788
	263,846,007	-	263,846,007	(90,582,314)	(5,492,491)	(12,158,616)	155,612,586

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

58. Offsetting Financial Assets and Financial Liabilities (Continued)

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

	The Company						
	2015						
					Related amounts not set off in the statement of financial position		
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master netting agreements	Cash collateral	Financial instruments collateral	Net amounts
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Cash resources	93,417	-	93,417	-	-	-	93,417
Financial investments	1,766,045	-	1,766,045	-	-	-	1,766,045
Other assets	90,946	-	90,946	-	-	-	90,946
	1,950,408	-	1,950,408	-	-	-	1,950,408
	2014						
Assets							
Cash resources	6,685	-	6,685	-	-	-	6,685
Financial investments	5,466,100	-	5,466,100	-	-	-	5,466,100
Other assets	266,521	-	266,521	-	-	-	266,521
	5,739,306	-	5,739,306	-	-	-	5,739,306

Sagicor Group Jamaica Limited
Notes to the Financial Statements
31 December 2015
(expressed in Jamaican dollars unless otherwise indicated)

58. Offsetting Financial Assets and Financial Liabilities (Continued)

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

	The Group						
	2015						
				Related amounts not set off in the statement of financial position			
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master netting agreements	Cash collateral	Financial instruments collateral	Net amounts
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Liabilities							
Due banks and other financial institutions	159,799,357	-	159,799,357	(73,934,569)	-	(10,551,468)	75,313,320
Other liabilities	11,365,871	-	11,365,871	-	-	-	11,365,871
	171,165,288	-	171,165,288	(73,934,569)	-	(10,551,468)	86,679,191
	2014						
Liabilities							
Due banks and other financial institutions	152,300,568	-	152,300,568	(85,451,166)	-	(8,328,281)	58,521,121
Other liabilities	10,631,301	-	10,631,301	-	-	-	10,631,301
	162,931,869	-	162,931,869	(85,451,166)	-	(8,328,281)	69,152,422

58. Offsetting Financial Assets and Financial Liabilities (Continued)

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

	The Company						
	2015						
					Related amounts not set off in the statement of financial position		
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master netting agreements	Cash collateral	Financial instruments collateral	Net amounts
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Liabilities							
Due banks and other financial institutions	12,347,661	-	12,347,661	-	-	-	12,347,661
Other liabilities	1,640,219	-	1,640,219	-	-	-	1,640,219
	13,987,880	-	13,987,880	-	-	-	13,987,880
	2014						
Liabilities							
Due banks and other financial institutions	11,525,678	-	11,525,678	-	-	-	11,525,678
Other liabilities	677,990	-	677,990	-	-	-	677,990
	12,203,668	-	12,203,668	-	-	-	12,203,668

59. Subsequent Event

Dividend Declaration:
On 14 March 2016, The Board of Directors of Sagicor Group Jamaica Limited declared an interim dividend of $0.66 per share with a record date of 31 March 2016 and a payment date of 19 April 2016.