Sagicor Life Jamaica Limited

(formerly Life of Jamaica Limited)

Financial Statements
31 December 2008

Sagicor Life Jamaica Limited

(formerly Life of Jamaica Limited)

Index

31 December 2008

Sagicor

Wise Financial Thinking for Life

Directors
Dodridge D. Miller
Chairman
Richard O. Byles
President & CEO
Sir Hilary Beckles
J. Arthur Bethell
Marjorie Chevannes-Campbell
Jeffrey C. Cobham
Richard L. Downer
Paul A.B. Facey
Stephen B. Facey
Michael A. Fraser, JP
Paul R. Hanworth
Dr. the Hon. R. D. Williams O.J., C.D.
Donna M. Stephenson
Corporate Secretary

APPOINTED ACTUARY'S REPORT TO THE SHAREHOLDERS AND POLICYHOLDERS

I have valued the policy actuarial liabilities of Sagicor Life Jamaica Limited for the consolidated balance sheet, at December 31, 2008, and the change in the consolidated statement of operations, for the year then ended, in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

The valuation of the Sagicor Life Jamaica Limited business was conducted using the Policy Premium Method assuming best-estimate assumptions together with margins for adverse deviations in accordance with the Actuarial Regulations, 2001. The valuation has been carried out in accordance with the International Financial Reporting Standard 4, Insurance Contracts and the results satisfy the liability adequacy tests as required by this standard. I did not perform the valuation for the liabilities of Sagicor Re Insurance Limited, a fully-owned property and casualty insurance subsidiary of Sagicor Life Jamaica Limited. I have performed the valuation of Sagicor Life of the Cayman Islands Ltd., a fully-owned subsidiary of Sagicor Life Jamaica Limited and I have relied on the work performed by Eckler Ltd. Consultants and Actuaries, Toronto, Canada for the valuation of the policy liabilities for the Industrial Alliance Cayman portfolio and for Sagicor General Insurance (Cayman) Ltd., the 75% owned subsidiary of Sagicor Life of the Cayman Islands Ltd.

In my opinion, the amount of policy actuarial liabilities makes appropriate provision for all policyholder obligations and the financial statements fairly represent the results of the valuation.

JANET SHARP, FSA, MAAA
APPOINTED ACTUARY FOR SAGICOR LIFE JAMAICA LIMITED
FEBRUARY 27, 2009

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Kingston 5
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Jamaica, WI

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PricewaterhouseCoopers
Scotiabank Centre
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Box 372
Kingston Jamaica
Telephone (876) 922 6230
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To the Members of
Sagicor Life Jamaica Limited
(formerly Life of Jamaica Limited)

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of Sagicor Life Jamaica Limited and its subsidiaries, and the accompanying financial statements of Sagicor Life Jamaica Limited standing alone set out on pages 1 to 176 which comprise the consolidated and company balance sheets as of 31 December 2008 and the consolidated and company statements of operations, statements of changes in stockholders' equity, and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

E.L. McDonald M.G. Rochester P.W. Pearson E.A. Crawford D.V. Brown J.W. Lee C.D.W. Maxwell
P.E. Williams G.L. Lewars L.A. McKnight L.E. Augier A.K. Jain B.L. Scott B.J. Denning G.A. Reece

PRICEWATERHOUSECOOPERS

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the group and the company as of 31 December 2008, and of the financial performance and cash flows of the group and company for the year then ended, so far as concern the members of the company, 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 financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

PricewaterhouseCoopers

Chartered Accountants

2 March 2009
Kingston, Jamaica

Sagicor Life Jamaica Limited

(formerly Life of Jamaica Limited)

Group Balance Sheet

31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008 $'000	2007 $'000
ASSETS:			
Cash resources	6	3,583,864	1,910,661
Cash reserve at Bank of Jamaica	7	182,062	95,848
Financial investments	8	75,388,343	59,010,084
Securities purchased under resale agreements	9	4,448,058	1,103,790
Derivative financial instruments	10	2,957,306	-
Loans & leases, after allowance for credit losses	11	8,446,692	7,167,243
Investment properties	12	326,175	264,084
Investment in associated company	13	2,725	2,725
Property, plant and equipment	14	1,821,064	1,230,028
Retirement benefit assets	15	206,190	49,544
Reinsurance contracts	16	2,574,249	1,341,326
Intangible assets	17	5,291,788	4,984,967
Deferred income taxes	18	636,485	46,422
Taxation recoverable		700,333	565,824
Other assets	19	4,665,384	3,035,488
Segregated funds' assets	20	6,560,697	6,261,696
		117,791,415	87,069,730

The accompanying notes on pages 15 - 176 form an integral part of these financial statements.

Sagicor Life Jamaica Limited

(formerly Life of Jamaica Limited)

Group Balance Sheet (Continued)

31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008 $'000	2007 $'000
STOCKHOLDERS' EQUITY AND LIABILITIES:			
Stockholders' Equity			
Share capital	23	7,796,463	7,779,665
Capital reserve	24	2,675	2,675
Stock options reserve	25	61,299	43,969
Investment and fair value reserves	26	(2,698,772)	(2,292)
Currency translation reserve	27	926,712	534,669
Other reserves	28	388,831	148,688
Retained earnings		9,066,612	6,999,651
		15,543,820	15,507,025
Minority Interest		4,045,061	4,396,953
		19,588,881	19,903,978
Liabilities			
Securities sold under repurchase agreements		39,957,153	34,020,502
Due to banks and other financial institutions	30	5,888,277	3,726,085
Customer deposits	31	7,419,989	5,402,101
Structured products	32	1,087,540	-
Derivative financial instruments	10	2,703,316	-
Redeemable preference shares	33	1,271,190	-
Provisions	34	218,402	81,181
Taxation payable		153,763	107,400
Deferred income taxes	18	418,647	216,139
Retirement benefit obligations	15	430,422	308,447
Other liabilities	35	3,363,695	2,411,338
Policyholders' Funds			
Segregated funds' liabilities	20	6,560,697	6,261,696
Insurance contracts liabilities	36	15,418,023	6,291,051
Investment contracts liabilities	37	8,891,676	5,335,448
Other policy liabilities	38	4,419,744	3,004,364
		35,290,140	20,892,559
		117,791,415	87,069,730

Approved for issue by the Board of Directors on 2 March 2009 and signed on its behalf by:

Dodridge Miller	Chairman	Richard Byles	Director

Sagicor Life Jamaica Limited

(formerly Life of Jamaica Limited)
Group Statement of Operations
Year ended 31 December 2008
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008 $'000	2007 $'000
Revenue:			
Gross premium revenue	40	22,713,108	13,757,897
Insurance premium ceded to reinsurers	40	(2,443,563)	(2,669,850)
Net premium revenue		20,269,545	11,088,047
Investment income	41	10,595,103	8,136,506
Impairment charge	42	(274,885)	-
Interest expense	43	(4,808,966)	(4,002,111)
Net investment income		5,511,252	4,134,395
Fee income -			
Administration	44	833,992	839,600
Other	44	235,950	181,224
		1,069,942	1,020,824
Other operating income		1,408,197	720,675
Total Revenue		28,258,936	16,963,941
Benefits:			
Insurance benefits incurred		8,762,723	5,460,589
Insurance benefits reinsured		(1,848,464)	(183,009)
Net insurance benefits	45	6,914,259	5,277,580
Net movement in actuarial liabilities	36(b)	8,282,542	982,394
Expenses:			
Provision for credit losses	11	1,518	11,572
Finance costs	46	29,190	27,734
Administration expenses	47	1,911,529	1,472,235
Salaries, pension contributions and other staff benefits	48(a)	2,864,167	2,212,671
Commission and sales expenses	48(b)	2,227,600	2,031,833
Depreciation	14	162,724	131,374
Amortisation and impairment of intangible assets	17	283,129	504,022
Total Expenses		7,479,857	6,391,441
		22,676,658	12,651,415
Profit before Taxation		5,582,278	4,312,526
Taxation	49	(1,040,027)	(891,442)
NET PROFIT		4,542,251	3,421,084
Attributable to:			
Stockholders of the company		3,928,094	2,956,775
Minority interest		614,157	464,309
		4,542,251	3,421,084
Earnings per stock unit for profit attributable to the stockholders of the company during the year:			
Basic	50	$1.05	$0.79
Fully diluted	50	$1.05	$0.79

The accompanying notes on pages 15 – 176 form an integral part of these financial statements.

Sagicor Life Jamaica Limited

(formerly Life of Jamaica Limited)

Group Statement of Changes in Stockholders' Equity

Year ended 31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	\-----------------------------------Attributable to Stockholders' of the Group------------------------\								
		Share Capital	Capital Reserve	Stock Option Reserve	Investment and Fair Value Reserves	Currency Translation Reserve	Other Reserves	Retained Earnings	Minority Interest	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2007		7,651,537	2,675	32,686	987,213	461,123	99,074	5,177,479	4,586,380	18,998,167
Unrealised gains on revaluation of owner-occupied properties		-	-	-	173,267	-	-	-	-	173,267
Currency translation differences		-	-	-	2,987	73,546	-	-	31,303	107,836
Unrealised losses on available-for-sale securities		-	-	-	(750,574)	-	-	-	(52,443)	(803,017)
Gains recycled to revenue on disposal and maturity of available-for- sale securities		-	-	-	(376,501)	-	-	-	(160,286)	(536,787)
Net gains/(losses) not recognised in the statement of operations		-	-	-	(950,821)	73,546	-	-	(181,426)	(1,058,701)
Net profit		-	-	-	-	-	-	2,956,775	464,309	3,421,084
Total income/(expense) recognised for 2007		-	-	-	(950,821)	73,546	-	2,956,775	282,883	2,362,383
Transfer to special investment reserve		-	-	-	-	-	39,468	(39,468)	-	-
Transfer to retained earnings	2(u)	-	-	-	(38,684)	-	-	38,684	-	-
Adjustment between regulatory loan provisioning and IFRS	28(b)	-	-	-	-	-	10,237	(10,237)	-	-
Transfer to retained earnings reserves		-	-	-	-	-	(91)	-	91	-
Employee stock option scheme - value of services provided		-	-	23,746	-	-	-	-	4,627	28,373
Employee stock options exercised	25	24,928		(12,463)	-	-	-	-	-	12,465
Disposal of equity by the Minority Interest		-	-	-	-	-	-	-	(256,498)	(256,498)
Issue of shares		103,200	-	-	-	-	-	-	49,423	152,623
Dividend paid to minorities		-	-	-	-	-	-	-	(269,953)	(269,953)
Dividends	29	-	-	-	-	-	-	(1,123,582)	-	(1,123,582)
Balance at 31 December 2007		7,779,665	2,675	43,969	(2,292)	534,669	148,688	6,999,651	4,396,953	19,903,978

The accompanying notes on pages 15 – 176 form an integral part of these financial statements.

Sagicor Life Jamaica Limited

(formerly Life of Jamaica Limited)

Group Statement of Changes in Stockholders' Equity (Continued)

Year ended 31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

		\------Attributable to Stockholders' of the Group------\								
	Note	Share Capital	Capital Reserve	Stock Option Reserve	Investment and Fair Value Reserves	Currency Translation Reserve	Other Reserves	Retained Earnings	Minority Interest	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2008		7,779,665	2,675	43,969	(2,292)	534,669	148,688	6,999,651	4,396,953	19,903,978
Unrealised gains on revaluation of owner-occupied property		-	-	-	150,195	-	-	-	-	150,195
Currency translation differences		-	-	-	899	392,043	-	-	53,735	446,677
Unrealised gains on available-for-sale securities		-	-	-	(2,607,145)	-	-	-	(468,663)	(3,075,808)
Gains recycled to revenue on disposal and maturity of available-for- sale securities		-	-	-	(211,416)	-	-	-	(117,420)	(328,836)
Net gains/(losses) not recognised in the statement of operations		-	-	-	(2,667,467)	392,043	-	-	(532,348)	(2,807,772)
Net profit		-	-	-	-	-	-	3,928,094	614,157	4,542,251
Total income/(expense) recognised for 2008		-	-	-	(2,667,467)	392,043	-	3,928,094	81,809	1,734,479
Transfer to special investment reserve		-	-	-	-	-	29,179	(29,179)	-	-
Transfer to retained earnings	2(u)	-	-	-	(29,013)	-	-	29,013	-	-
Transfer to retained earnings reserves	2(u)	-	-	-	-	-	203,692	(203,692)	-	-
Adjustment between regulatory loan provisioning and IFRS	28(b)	-	-	-	-	-	7,272	(7,272)	-	-
Employee share option scheme - value of services provided		-	-	25,729	-	-	-	-	3,479	29,208
Employee stock options exercised	23	16,798	-	(8,399)	-	-	-	-	-	8,399
Disposal of equity by the Minority Interest		-	-	-	-	-	-	-	(107,244)	(107,244)
Dividend paid to minorities		-	-	-	-	-	-	-	(329,936)	(329,936)
Dividends	29	-	-	-	-	-	-	(1,650,003)	-	(1,650,003)
Balance at 31 December 2008		7,796,463	2,675	61,299	(2,698,772)	926,712	388,831	9,066,612	4,045,061	19,588,881

The accompanying notes on pages 15 – 176 form an integral part of these financial statements.

Sagicor Life Jamaica Limited

(formerly Life of Jamaica Limited)

Group Statement of Changes in Stockholders' Equity (Continued)

Year ended 31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

		Other Reserves			
	Note	**Special Investment Reserve**	**Loan Loss Reserve**	**Retained Earnings Reserve**	**Total**
		$'000	**$'000**	**$'000**	**$'000**
Balance at 1 January 2007		138,981	(39,907)	-	99,074
Transfer from retained earnings	2(u)	39,468	-	-	39,468
Transfer from retained earnings reserve		-	-	(91)	(91)
Adjustment between regulatory loan provisioning and IFRS	28(b)	-	10,237	-	10,237
Balance at 31 December 2007		178,449	(29,670)	(91)	148,688
Transfer from retained earnings	2(u)	29,179	203,692		232,871
Adjustment between regulatory loan provisioning and IFRS	28(b)	-	7,272	-	7,272
Balance at 31 December 2008		207,628	181,294	(91)	388,831

The accompanying notes on pages 15 - 176 form an integral part of these financial statements.

Sagicor Life Jamaica Limited

(formerly Life of Jamaica Limited)
Group Statement of Cash Flows
Year ended 31 December 2008
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008	2007
		$'000	$'000
Cash Flows from Operating Activities			
Net profit		4,542,251	3,421,084
Adjustments for:			
Depreciation	14	162,724	131,374
Interest income	41	(8,730,684)	(7,197,484)
Interest expense	43	4,808,966	4,002,111
Income tax expense	49	1,040,027	891,442
Gain on disposal of investments		(221,314)	(261,806)
Fair value losses on trading securities		20,900	-
Fair value gains on derivative financial instruments		40,686	-
Impairment charge on investments, loans and other assets		276,403	11,572
Gain on revaluation of investment properties	12	(14,000)	(19,717)
Gain on sale of investment properties		-	(12,388)
Gain/(loss) on disposal of property, plant and equipment		(1,235)	(1,025)
Amortisation of intangible assets	17	283,129	504,022
Increase in policyholders' funds		3,679,948	1,151,440
Net movement in actuarial liabilities	36(b)	8,282,542	982,394
Retirement benefit obligations		103,349	(21,169)
Effect of exchange gain on foreign balances		469,316	785,669
		14,743,008	4,367,519
Changes in operating assets and liabilities:			
Statutory reserves at Bank of Jamaica		(86,214)	(36,576)
Securities sold under repurchase agreements		3,357,884	2,677,332
Structured products		1,087,540	-
Proceeds on sale of investment securities		18,283,058	5,099,583
Purchase of investment properties	12	(48,091)	(17,344)
Proceeds on sale of investment properties		-	52,388
Purchase of investment securities		(31,723,026)	(12,250,032)
Loans		(478,902)	(1,429,679)
Lease receivables		(32,890)	21,545
Due from(to) related parties		(203,857)	(369,274)
Other assets, net		(1,333,579)	(1,413,744)
Customer deposits		54,685	929,292
Other liabilities, net		2,183,237	508,107
		5,802,853	(1,860,883)
Interest received		8,236,560	7,044,207
Interest paid		(4,853,526)	(4,159,805)
Income tax paid		(586,579)	(930,390)
Net cash provided by operating activities		8,599,308	93,129

Sagicor Life Jamaica Limited

(formerly Life of Jamaica Limited)

Group Statement of Cash Flows (Continued)

Year ended 31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008 $'000	2007 $'000
Cash Flows from Operating Activities (Page 057)		8,599,308	93,129
Cash Flows from Investing Activities			
Acquisition, net of cash acquired	59(b)	(1,668,350)	(277,094)
Purchase of property, plant and equipment	14	(223,104)	(152,252)
Proceeds from sale of property, plant and equipment		1,308	1,555
Purchase of Intangible assets	17	(118,611)	(61,396)
Net cash used in investing activities		(2,008,757)	(489,187)
Cash Flows from Financing Activities			
Dividends paid to stockholders		(1,638,603)	(1,116,543)
Dividends paid to minority interest		(329,936)	(269,953)
Redeemable preference shares issued	33	1,264,324	-
Loans from banks and other financial institutions		3,698,550	532,650
Repayments of loans to financial institutions		(2,573,576)	(881,084)
Issue of ordinary shares	23	16,798	128,128
Net cash used in financing activities		437,557	(1,606,802)
Effect of exchange rate on cash and cash equivalent		260,191	73,315
Net increase/(decrease) in net cash and cash equivalents		7,288,299	(1,929,545)
Cash and cash equivalent at beginning of year		2,259,452	4,188,997
CASH AND CASH EQUIVALENTS END OF YEAR	6	9,547,751	2,259,452

The accompanying notes on pages 15 - 176 form an integral part of these financial statements.

Sagicor Life Jamaica Limited
(formerly Life of Jamaica Limited)
Company Balance Sheet
31 December 2008
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008	2007
		$'000	$'000
ASSETS:			
Cash resources	6	269,379	489,901
Financial investments	8	22,922,310	15,673,194
Securities purchased under resale agreements	9	1,392,577	659,248
Lease receivables	11	4,819	9,541
Investment properties	12	326,175	264,084
Investment in associated company	13	2,725	2,725
Property, plant and equipment	14	1,254,883	781,061
Retirement benefit assets	15	184,482	-
Reinsurance contracts	16	57,848	57,720
Intangible assets	17	2,607,774	2,321,275
Deferred income taxes	18	36,674	30,997
Other assets	19	2,941,025	2,133,885
Investment in subsidiaries	22	5,129,499	5,054,847
Taxation recoverable		415,036	320,452
Segregated funds' assets	20	6,295,831	5,965,561
		43,841,037	33,764,491

The accompanying notes on pages 15 - 176 form an integral part of these financial statements.

Sagicor Life Jamaica Limited
(formerly Life of Jamaica Limited)
Company Balance Sheet
31 December 2008
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008	2007
		$'000	$'000
SHAREHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity			
Share capital	23	7,796,463	7,779,665
Capital reserve	24	2,675	2,675
Share option reserve	25	35,166	21,615
Investment and fair value reserves	26	(1,399,316)	200,224
Special investment reserve	28	141,576	141,576
Retained earnings		7,126,576	5,432,047
		13,703,140	13,577,802
Liabilities			
Due to banks and other financial institutions	30	1,493,635	1,332,429
Provisions	34	218,402	81,181
Taxation payable		96,816	47,626
Deferred income taxes	18	267,606	104,478
Retirement benefit obligations	15	397,849	291,033
Other liabilities	35	1,911,500	1,302,719
Policyholders' funds			
Segregated funds' liabilities	20	6,295,831	5,965,561
Insurance contracts liabilities	36	13,779,921	5,246,663
Investment contracts liabilities	37	4,389,509	4,706,214
Other policy liabilities	38	1,286,828	1,108,785
		25,752,089	17,027,223
		43,841,037	33,764,491

Approved for issue by the Board of Directors on 2 March 2009 and signed on its behalf by:

D. Miller

Dodridge Miller	Chairman	Richard Byles	Director

Sagicor Life Jamaica Limited

(formerly Life of Jamaica Limited)
Company Statement of Operations
31 December 2008
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008 $'000	2007 $'000
Revenue:			
Gross premium revenue	40	18,574,163	9,906,739
Insurance premium ceded to reinsurers	40	(188,988)	(315,041)
Net premium revenue		18,385,175	9,591,698
Investment income	41	3,598,403	2,315,616
Impairment charge	42	(103,784)	-
Interest expense	43	(499,689)	(485,719)
		2,994,930	1,829,897
Fee income -			
Administration	44	574,512	754,834
Other	44	75,745	62,876
		650,257	817,710
Other operating income		710,276	82,234
Total Revenue		22,740,638	12,321,539
Benefits:			
Insurance benefits incurred		5,799,855	4,412,640
Insurance benefits reinsured		(58,941)	(53,995)
Net insurance benefits	45	5,740,914	4,358,645
Net movement in actuarial liabilities	36	8,378,517	963,542
Expenses:			
Administration expenses	47	1,113,736	877,959
Commission and sales expenses	48	1,769,091	1,663,178
Salaries, pension contributions and other staff benefits	48	1,660,792	1,390,961
Depreciation	14	78,757	67,117
Amortisation of intangible assets	17	99,823	99,945
Total Expenses		4,722,199	4,099,160
		18,841,630	9,421,347
Profit before Taxation		3,899,008	2,900,192
Taxation	49	(583,560)	(427,608)
NET PROFIT		3,315,448	2,472,584

The accompanying notes on pages 15 – 176 form an integral part of these financial statements.

Sagicor Life Jamaica Limited

(formerly Life of Jamaica Limited)

Company Statement of Changes in Stockholders' Equity

Year ended 31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Capital reserve	Share options reserve	Investment and Fair Value Reserves	Special Investment Reserve	Retained Earnings	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 January 2007		7,651,537	2,675	15,463	896,591	138,981	4,046,956	12,752,203
Unrealised gains on revaluation of owner-occupied properties		-	-	-	128,279	-	-	128,279
Unrealised gains on available-for-sale securities		-	-	-	(681,390)	-	-	(681,390)
Gains recycled to revenue on disposal and maturity of available-for- sale securities		-	-	-	(104,572)	-	-	(104,572)
Net losses not recognised in the statement of operations		-	-	-	(657,683)	-	-	(657,683)
Net profit		-	-	-	-	-	2,472,584	2,472,584
Total recognised income for 2007		-	-	-	(657,683)	-	2,472,584	1,814,901
Transfer to retained earnings	2(u)	-	-	-	(38,684)	-	38,684	-
Transfer to special investment reserve	28(a)	-	-	-	-	2,595	(2,595)	-
Issue of shares		103,200	-	-	-	-	-	103,200
Employee share option scheme - value of services provided		-	-	18,615	-	-	-	18,615
Employee share options exercised		24,928	-	(12,463)	-	-	-	12,465
Dividends	29	-	-	-	-	-	(1,123,582)	(1,123,582)
Balance at 31 December 2007		7,779,665	2,675	21,615	200,224	141,576	5,432,047	13,577,802
Unrealised gains on revaluation of owner-occupied properties		-	-	-	112,698	-	-	112,698
Unrealised gains on available-for-sale securities		-	-	-	(1,572,249)	-	-	(1,572,249)
Gains recycled to revenue on disposal and maturity of available-for-sale securities		-	-	-	(110,976)	-	-	(110,976)
Net losses not recognised in the statement of operations		-	-	-	(1,570,527)	-	-	(1,570,527)
Net profit		-	-	-	-	-	3,315,448	3,315,448
Total recognised income for 2008		-	-	-	(1,570,527)	-	3,315,448	1,744,921
Transfer to retained earnings	2(u)	-	-	-	(29,013)	-	29,013	-
Employee share option scheme - value of services provided		-	-	21,950	-	-	-	21,950
Employee share options exercised	23	16,798	-	(8,399)	-	-	-	8,399
Transfer of Employee Benefit Administrator Limited accumulated deficit		-	-	-	-	-	71	71
Dividends	29	-	-	-	-	-	(1,650,003)	(1,650,003)
Balance at 31 December 2008		7,796,463	2,675	35,166	(1,399,316)	141,576	7,126,576	13,703,140

The accompanying notes on pages 15 - 176 form an integral part of these financial statements.

Sagicor Life Jamaica Limited
(formerly Life of Jamaica Limited)
Company Statement of Cash Flows
31 December 2008
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008 $'000	2007 $'000
Cash Flows from Operating Activities			
Net profit		3,315,448	2,472,584
Adjustments for:			
Depreciation	14	78,757	67,117
Interest income	41	(2,190,422)	(1,751,432)
Interest expense	43	499,689	485,719
Income tax expense	49	583,560	427,608
Gain on disposal of investments		(105,047)	(159,168)
Impairment charge	42	103,784	-
Gain on revaluation of investment properties	12	(14,000)	(19,717)
Gain on sale of investment properties		-	(12,388)
Gain on disposal of property, plant and equipment		(1,073)	(1,515)
Amortisation of intangible assets	17	99,823	99,945
Increase/(decrease) in policyholders' funds		(297,590)	731,122
Net movement in actuarial liabilities	36(b)	8,378,517	963,542
Retirement benefit obligations		69,138	11,970
Effect of exchange gain on foreign balances		(783,781)	(137,462)
		9,736,803	3,177,925
Changes in operating assets and liabilities:			
Purchase of investment properties	12	(48,091)	(17,344)
Purchase of investment securities		(10,920,292)	(4,973,523)
Proceeds from the sale of investment securities		4,444,274	1,581,009
Proceeds on sale of investment properties		-	52,388
Lease receivables		4,590	7,558
Due from/(to) related companies		167,575	(216,934)
Reinsurance contracts		(128)	13,085
Other assets, net		(372,962)	(169,779)
Other liabilities, net		626,301	1,333,872
		3,638,070	788,257
Interest received		2,058,270	1,695,710
Interest paid		(480,786)	(570,774)
Income tax paid		(440,211)	(442,997)
Net cash provided by operating activities		4,775,343	1,470,196

The accompanying notes on pages 15 - 176 form an integral part of these financial statements.

Sagicor Life Jamaica Limited
(formerly Life of Jamaica Limited)
Company Statement of Cash Flows (Continued)
31 December 2008
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008	2007
		$'000	**$'000**
Cash Flows from Operating Activities (Page 063)		4,775,343	1,470,196
Cash Flows from Investing Activities			
Acquisition, net of cash acquired	59(b)	(1,668,350)	-
Purchase of property, plant and equipment	14	(116,565)	(82,721)
Proceeds from sale of property, plant and equipment		1,077	1,546
Purchase of intangible assets	17	(5,630)	(683)
Net cash used in investing activities		(1,789,468)	(81,858)
Cash Flows from Financing Activities			
Dividends paid to stockholders		(1,638,603)	(1,116,543)
Repayment of loans to financial institutions		(1,468,960)	(490,717)
Loan from financial institutions		1,403,315	-
Investment in subsidiaries		(74,652)	(13,341)
Issue of ordinary shares	23	16,798	128,128
Net cash used in financing activities		(1,762,102)	(1,492,473)
Effect of exchange rate on cash and cash equivalent		47,552	7,550
Net increase/(decrease) in net cash and bank overdraft		1,271,325	(96,585)
Cash and cash equivalent at beginning of year		1,012,787	1,109,372
CASH AND CASH EQUIVALENTS END OF YEAR	6	2,284,112	1,012,787

The accompanying notes on pages 15 - 176 form an integral part of these financial statements.

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Activities

(a) Sagicor Life Jamaica Limited (SLJ, the company) is incorporated and domiciled in Jamaica. It is 42.02% (2007 – 42.04%) owned by LOJ Holdings Limited which is also incorporated and domiciled in Jamaica. The ultimate parent company is Sagicor Financial Corporation (Sagicor), which is incorporated and domiciled in Barbados. Sagicor has an overall interest of 59.37% (2007 - 59.40%) in Sagicor Life Jamaica Limited. The other significant shareholder in Sagicor Life Jamaica Limited is First Jamaica Investments Limited with a 24.51% holding (2007 - 24.53%).

The main activities of the company include the provision of life and health insurance, pension administration, investment services, pension and retirement products. The registered office of the company is located at 28 - 48 Barbados Avenue, Kingston 5, Jamaica.

The company is registered to conduct business under the Insurance Act, 2001.

On June 2, 2008, the company changed its name from Life of Jamaica Limited to Sagicor Life Jamaica Limited.

The company is listed on the Jamaica Stock Exchange.

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

Subsidiaries	Principal Activities	Incorporated In	Holding
Sagicor Life of the Cayman Islands Ltd. and its subsidiaries –	Life insurance	Grand Cayman	100%
Sagicor General Insurance (Cayman) Ltd.	Property and casualty and health insurance marketing and administration	Grand Cayman	75.2%
Sagicor Insurance Managers Ltd	Captives management	Grand Cayman	75.2%
Employee Benefits Administrator Limited	Pension administration services	Jamaica	100%
Sagicor Property Services Limited (formerly LOJ Property Management Limited)	Property management, real estate sales and rentals	Jamaica	100%
Sagicor Pooled Investment Funds Limited (formerly LOJ Pooled Investment Funds Limited)	Pension fund management (Note 1(c))	Jamaica	100%
Sagicor Re Insurance Limited	Property and casualty insurance (captive)	Grand Cayman	100%
Sagicor Insurance Brokers Limited	Insurance brokerage	Jamaica	100%

Sagicor Life Jamaica Limited
(formerly Life of Jamaica Limited)
Notes to the Financial Statements
31 December 2008
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Activities (Continued)

(b) (Continued)

Subsidiaries	Principal Activities	Incorporated In	Holding
Pan Caribbean Financial Services Limited (PCFS) and its subsidiaries:	Investment banking	Jamaica	52.97%
PanCaribbeanBank Limited (PCB) (formerly Pan Caribbean Merchant Bank Limited)	Commercial banking	Jamaica	52.97%
Pan Caribbean Asset Management Limited (PCAM)	Unit trust management	Jamaica	52.97%
Manufacturers Investments Limited (MIL)	Investment management services	Jamaica	52.97%
Pan Caribbean Investments Limited (PCIL)	Inactive	Jamaica	52.97%
Pan Caribbean Securities Limited (PCSL)	Inactive	Jamaica	52.97%

On 23 June 2008, Pan Caribbean Merchant Bank Limited surrendered its Merchant Banking license and was granted a commercial banking license by the Ministry of Finance. The subsidiary's name was subsequently changed to PanCaribbeanBank Limited

(c) Sagicor Pooled Investment Funds Limited holds the assets of the Pooled Pension Investment Funds in trust, on behalf of pension funds. At 30 September 2008, the audited assets totalled approximately $42,720,676,000 (2007 - $37,287,617,000). At 31 December 2008, the unaudited assets totalled approximately $35,923,122,000 (2007 - $39,985,050,000).

(d) The company also operates a number of self-directed pension funds on behalf of clients. At 31 December 2008, the unaudited assets totalled approximately $12,338,391,000 (2007 - $11,046,225,000).

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) which include International Accounting Standards (IAS) 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 judgment 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 judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

All amounts in these financial statements are shown in thousands of Jamaica dollars, rounded to the nearest thousand, unless otherwise stated.

Amendments to published standards and interpretations effective 1 January 2008 that are relevant to the Group's operations

- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. The amendments did not have any impact on the Group's Financial Statements.
- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum-funding requirement. The amendments did not have any impact on the Group's Financial Statements.
- IAS 39 (Amendment), Financial instruments: Recognition and measurement and IFRS 7 (Amendment), Financial instruments: Disclosures, allows the reclassification of certain non-derivative financial assets, (other than those designated at fair value through profit or loss by the entity upon initial recognition) previously classified as 'held for trading' or 'available for sale' to another category under limited circumstances. The amendments also require certain disclosures where a reclassification has been made. Any reclassification made on or after 1 November 2008 takes effect from the date of reclassification. However, any reclassification before 1 November 2008 can take effect from 1 July 2008 or a subsequent date. The amendments were applied retroactively to 30 September 2008, and have resulted in the reclassification of some financial instruments from 'available-for-sale' to 'held-to-maturity' and 'loans and receivables'. The impact on the financial results and the financial position of the Group and the company and the required disclosures in accordance with IFRS 7 in respect of these investments are set out in Note 8.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Amendments to published standards and interpretations effective 1 January 2008 that are not relevant to the Group's operations

The following interpretation to published standards is mandatory for accounting periods beginning on or after 1 January 2008 but is not relevant to the Group's operations:

- IFRIC 12, 'Service concession arrangements' and
- IFRIC 13, 'Customer loyalty programmes'

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 were not effective at the balance sheet date, 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 immediately relevant to its operations, and has concluded as follows:

- IAS 1 Presentation of Financial Statements (Revised) (effective for annual periods beginning on or after 1 January 2009). IAS 1, 'Presentation of financial statements' (effective from 1 January 2009). Recognised income and expenses are to be presented in a single statement (a statement of comprehensive income) or in two statements (an income statement and a statement of comprehensive income), separately from owner changes in equity. Components of other comprehensive income may not be presented in the statement of changes in equity. Both the statement of comprehensive income and the statement of changes in equity are to be included as primary statements. The balance sheet is to be referred to as the 'statement of financial position' and the cash flow statement is referred to as the 'statement of cash flows'. Entities are required to disclose the income tax related to each component of other comprehensive income either in the statement of comprehensive income or in the notes. Entities should present a statement of financial position (that is, a balance sheet) as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassifies items in the financial statements. Clarification that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39 are examples of current assets and liabilities respectively. The Group will apply IAS 1 (Revised) from 1 January 2009.

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)

- IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009).
  - The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
  - The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
  - The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
  - IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

  The Group will apply the IAS 19 (Amendment) from 1 January 2009.

- IAS 23 (Amendment), Borrowing costs (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39. The Group will apply from 1 January 2009.

- IAS 27 (Revised) Consolidated and separate financial statements (effective for transactions from 1 July 2009). Requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. Specifies the accounting when control is lost, requiring that any remaining interest in the entity be re-measured to fair value, and a gain or loss be recognised in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

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)

- IAS 28 (Amendment), Investments in associates (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group will apply the IAS 28 (Amendment) to impairment tests related to investments in associates and any related impairment losses from 1 January 2009.

- IAS 32 Financial Instruments: Presentation/IAS 1 Presentation of Financial Statements (Amendments) – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for annual periods beginning on or after 1 January 2009). Introduces a limited exception to the principles in IAS 32 for certain puttable financial instruments and certain instruments containing obligations arising on liquidation. Where such instruments meet the strict criteria set out in the amendment, they are classified as equity, rather than financial liabilities, despite the contractual obligation to deliver cash or another financial asset. The amendment also prohibits designating inflation as a hedgeable component of a fixed rate debt. This Group will apply this amendment from 1 January 2009.

- IAS 36 (Amendment), Impairment of assets (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the IAS 28 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. For example, this means that an expense will be recognised for shoe mail order catalogues when an entity has access to the catalogues and not when the catalogues are distributed to customers, as is the entity's current accounting policy. The Group will apply the IAS 38 (Amendment) from 1 January 2009.

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)

- IAS 39 (Amendment), Financial instruments: Recognition and measurement (effective for annual periods beginning on or after 1 July 2009). Clarification that it is possible for there to be movements into and out of the fair value through profit or loss category where:

  - A derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

  - Financial assets are reclassified following a change in policy by an insurance company in accordance with IFRS 4.

  The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition. There is also the removal of a segment as an example of what may be considered a party external to the reporting entity. When re-measuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used. This Group will apply this amendment from 1 January 2010.

- IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2009). Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. The Group will apply this from 1 January 2009.

- IFRS 1 (Amendment), 'First-time adoption of IFRS' and IAS 27, 'Consolidated and separate financial statements' (effective from 1 January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment will not have any 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)

- IFRS 3 (Revised), 'Business combinations' (effective for transactions from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the profit and loss account. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). All of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. If the subsidiary described above is a disposal group meeting the definition of a discontinued operation, the relevant disclosures should be made. The Group will apply this amendment 1 January 2010.

- IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply this amendment from 1 January 2009.

- IFRIC 17, Distribution of Non-Cash assets to owners (effective from 1 July 2009 and is required to be applied prospectively; earlier application is permitted). A dividend payable should be recognised when appropriately authorised and no longer at the entity's discretion. Where an owner has a choice of a dividend of a non-cash asset or cash, the dividend payable is estimated considering both the fair value and probability of the owners selecting each option. The dividend payable is measured at the fair value of the net assets to be distributed. The difference between fair value of the dividend paid and the carrying amount of the net assets distributed is recognised in profit or loss. The Group will adopt this interpretation from 1 January 2010.

Standards, amendments and interpretations issued but not yet effective that are not relevant to the Group' operations

- IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008).
- IFRIC 15, Agreements for the construction of real estate (effective for annual periods beginning on or after 1 January 2009).
- IFRIC 16 IFRIC 16, Hedges of a net investment in a foreign operation (effective for annual periods beginning on or after 1 October 2008).

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Amendments that are part of the IASB's annual improvement project published in May 2008 (not addressed above) and not relevant to the Group's operations. All are effective 1 January 2009.

- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendments to IAS 7 'Statement of cash flows').
- IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance'
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures')
- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies'
- IAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32, 'Financial instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures')
- IAS 41 (Amendment), 'Agriculture'

2. Summary of Significant Accounting Policies (Continued)

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of operations.

Inter-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the profit and loss account. Purchases from minority interest results in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

The Group's investment in associates may include intangible assets (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associate's post-acquisition profits or losses is recognised in the statement of operations, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2. Summary of Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

(iii) Associates (continued)
Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Segment reporting
Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of components in other economic environments.

(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 financial statements are presented in Jamaican dollars, which is the Group's and the company's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of operations.

Translation differences on non-monetary items, 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 items,
such as equities classified as available-for-sale financial assets, are included in the fair value and investment reserves in stockholders' equity.

(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 balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each statement of operations 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.

2. Summary of Significant Accounting Policies (Continued)

(d) Foreign currency translation (continued)

(iii) Group companies (continued)

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 statement of operations 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.

(f) Investments

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. Non-derivative financial assets may subsequently be re-classified.

(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.

(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.

2. Summary of Significant Accounting Policies (Continued)

(f) Investments (continued)

(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.

Purchases and sales of financial assets held for trading and available-for-sale are recognised at the trade date – the date on which the Group commits the purchase or sells the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are realised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets carried at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss category are included in the statement of operations in the period in which they arise. Realised and unrealised gains and losses arising from changes in the fair value of non-monetary available-for-sale financial assets are recognised directly in stockholders' equity, until the financial assets are derecognised or impaired, at which time the cumulative gains or losses previously recognised in equity are transferred to the statements of operations. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of operations as net realised gains/losses on financial assets.

The fair values of quoted investments are based on current bid prices. Unquoted securities are recorded initially at cost. They are subsequently measured at fair value. The fair values for these unquoted securities are established by methods including obtaining dealer quotes for specific or similar instruments and the use of internally developed pricing models. Where fair value cannot be measured reliably, unquoted securities are recognised at cost less impairment.

Investments in subsidiaries are stated in the company's financial statements at cost.

2. Summary of Significant Accounting Policies (Continued)

(g) Investment property
Property held for long-term rental yields that is not occupied by the companies within the Group is classified as investment property.

Investment property comprises freehold land and building and is carried at fair value, representing open market value determined annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Changes in fair values are recorded in the statement of operations.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes the cost for subsequent accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the statement of operations. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the statement of operations.

(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 repledge the collateral. The counterparty liability is included in amounts due to banks and other financial institutions, customer deposits, or securities sold under agreements to repurchase.

(i) Loans and allowance for impairment losses
Loans are stated net of unearned income and allowance for impairment losses.

Loans are recognised when cash is advanced to borrowers. They are initially recorded at cost, which is the cash given to originate the loan including any transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

2. Summary of Significant Accounting Policies (Continued)

(i) Loans and allowance for impairment losses (continued)

A loan is classified as impaired when, in management's opinion, there has been a deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest. As required by statutory regulations, if a payment on a loan is contractually 90 days in arrears, the loan will be classified as impaired, if not already classified as such.

When a loan is classified as impaired, recognition of interest in accordance with the terms of the original loan ceases, and interest is taken into account on the cash basis. Interest income on impaired loans has not been recognised, as it is not considered material.

Statutory and other regulatory loan loss reserve requirements that exceed the amounts required under IFRS are dealt with in a non-distributable loan loss reserve as an appropriation of profits.

(j) 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 statement of operations 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 statement of operations on a straight-line basis over the period of the lease.

(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 balance sheet. 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.

(k) Acceptances and guarantees

The Group's potential liability under acceptances and guarantees is reported as commitments off the balance sheet.

2. Summary of Significant Accounting Policies (Continued)

(l) Impairment of assets

(i) Financial assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including adverse changes in the payment status of issuers or debtors in the group or national or local economic conditions that correlate with defaults on the assets in the group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets 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.

If there is objective evidence that an impairment loss has been incurred on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of a provision for loan loss account and the amount of the loss is recognised in the statement of operations. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedience, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's credit process that considers asset type, industry, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

2. Summary of Significant Accounting Policies (Continued)

(l) Impairment of assets (continued)

(i) Financial assets carried at amortised cost (continued)

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 improved credit rating, the previously recognised impairment loss is reversed by adjusting the provision for loss account. The amount of the reversal is recognised in the statement of operations.

For non-performing and impaired loans the accrual of interest income based on the original terms of the loan is discontinued. Jamaican banking regulations require that interest on non-performing loans be taken into account on the cash basis. IFRS require the increase in the present value of impaired loans due to the passage of time to be reported as interest income. The difference between the Jamaican regulatory basis and IFRS was assessed to be immaterial.

Statutory and other regulatory loan loss reserve requirements that are different from these amounts are dealt with in a non-distributable loan loss reserve as an adjustment to retained earnings.

Write-offs are made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Write-offs are charged against previously established provisions for credit losses and reduce the principal amount of a loan. Recoveries, in part or in full, of amounts previously written-off are credited to the statement of operations.

(ii) Financial assets carried at fair value

The Group assesses at each balance sheet date whether there is objective evidence that an available-for-sale financial asset is impaired, including in the case of equity investment classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in the statement of operations – is removed from equity and recognised in the statement of operations. Impairment losses recognised in the statement of operations on equity instruments are not subsequently reversed. The impairment loss is reversed through the statement of operations, 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 the statement of operations.

(iii) 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).

2. Summary of Significant Accounting Policies (Continued)

(m) Offsetting financial instruments

Reinsurance financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(n) 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 statement of operations.

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 statement of operations when the expenditure is incurred. On disposal of revalued assets, the revaluation amounts are transferred to retained earnings.

2. Summary of Significant Accounting Policies (Continued)

(o) 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.

(p) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the acquisition date. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investment in associates.

Goodwill arising on the acquisition of subsidiaries and insurance portfolios is calculated as the amount by which the consideration paid and other related expenses exceed the fair value of the net identifiable assets acquired.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of goodwill is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

An excess of the identifiable net assets acquired over the acquisition cost is treated as negative goodwill. Negative goodwill related to expected post-acquisition losses is taken to income during the period the future losses are recognised. Negative goodwill which does not relate to expected future losses and expenses is recognised as income immediately.

(ii) Contractual customer relationships – rights to receive investment management fees

Incremental costs directly attributable to securing rights to receive fees for asset management services sold with investment contracts are recognised as an intangible asset where they can be identified separately and measured reliably and it is probable that they will be recovered.

The asset represents the Group's contractual right to benefit from providing asset management services and is amortised on a straight line basis over the period in which the Group expects to recognise the related revenue. The costs of securing the right to provide asset management services do not include transaction costs relating to the origination of the investment contract.

(iii) Contractual customer relationships acquired as part of a business combination

The accounting policy in respect of intangible assets arising from insurance contracts acquired in a business combination and portfolio transfer is also described in Note (2 (x)).

2. Summary of Significant Accounting Policies (Continued)

(p) Intangible assets (continued)

(iv) 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.

(v) 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.

(q) Employee benefits

(i) Pension obligations

The company and its subsidiaries operate a number of defined benefit and defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are funded by payments from employees and by the relevant companies, taking into account the recommendations of qualified actuaries.

The asset or liability in respect of defined benefit plans is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of plan assets, adjusted for unrecognised actuarial gains/losses, past service costs and any unrecognised assets. Where a pension asset arises, the amount recognised is limited to the net total of any cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan. The pension costs are assessed using the Projected Unit Credit Method. Under this method, the cost of providing pensions is charged to the statement of operations so as to spread the regular cost over the service lives of the employees in accordance with the advice of the actuaries, who carry out a full valuation of the plans every year in accordance with IAS 19. The pension obligation is measured as the present value of the estimated future cash outflows using estimated discount rates based on market yields on government securities which have terms to maturity approximating the terms of the related liability.

A portion of actuarial gains and losses is recognised in the statement of operations if the net cumulative unrecognised actuarial gains or losses at the end of the previous reporting period exceeded 10 percent of the greater of the present value of the gross defined benefit obligation and the fair value of plan assets at that date. Any excess actuarial gains or losses are recognised in the statement of operations over the average remaining service lives of the participating employees.

Contributions to defined contribution plans are charged to the statement of operations in the period to which they relate.

2. Summary of Significant Accounting Policies (Continued)

(q) Employee benefits (continued)

(ii) Other post-retirement obligations

The Group also 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 an accounting methodology similar to that for defined benefit pension plans. These obligations are valued annually by qualified actuaries.

(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 balance sheet date.

(iv) Share-based compensation

The Group operates an equity-settled share-based compensation plan. 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, net profit growth target). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group 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 statement of operations, and a corresponding adjustment to equity over the remaining vesting period. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital.

Employees, agents and sales managers 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 balance sheet date are discounted to present value.

2. Summary of Significant Accounting Policies (Continued)

(r) Segregated funds

The Group manages a number of segregated funds on behalf of policyholders. The investment returns on these unitised funds accrue directly to the policyholders, with the Group assuming no risk. Consequently, these funds are segregated and presented separately from the general fund of the Group. Income earned from fund management fees is included in other income in the consolidated statement of operations. Investments held in segregated funds are carried at their fair values. Unit values are determined by dividing the value of the assets in the funds on a valuation date by the number of units in the funds on the valuation date.

(s) 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(v)).

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

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

(t) Special investment reserve

Unrealised gains on investment properties are recorded in the statement of operations 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%.

(u) 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)

(v) Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

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

(w) Deposits

Deposits are recognised initially at the nominal amount when funds are received. Deposits are subsequently stated at amortised cost using the effective yield method.

(x) Insurance and investment contracts

(i) Classification

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

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. The Group defines insurance risk as significant if an insured event could cause an insurer to pay significant additional benefits in a scenario that has a discernible effect on the economics of the transactions.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk as defined above.

(ii) Recognition and measurement

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).

(x) Insurance and investment contracts (Continued)

(ii) Recognition and measurement (continued)

(1.1) Short-term insurance contracts (continued)

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 balance sheet 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 balance sheet 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 balance sheet 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.

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 statement of operations.

Maturities and annuities are accounted for when due.

2. Summary of Significant Accounting Policies (Continued)

(x) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

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

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 with 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.

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 statement of operations.

2. Summary of Significant Accounting Policies (Continued)

(x) 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)

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) – (continued)

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 balance sheet 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.

(iv) Derivatives embedded in insurance contracts and investment contracts
The Group does not separately measure embedded derivatives that meet the definition of an insurance contract or options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate). All other embedded derivatives are separated and carried at fair value if they are not closely related to the host insurance contract and meet the definition of a derivative. Embedded derivatives that are separated from the host contract are fair valued through profit or loss.

(v) Liability adequacy test
At each balance sheet 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 statement of operations under benefits.

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2. Summary of Significant Accounting Policies (Continued)

(x) Insurance and investment contracts (continued)

(vi) 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 statement of operations. 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.

(vii) 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 statement of operations. 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.

(y) 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.

2. Summary of Significant Accounting Policies (Continued)

(z) 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.

(iii) Interest income

Interest income is recognised in the statement of operations 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.

2. Summary of Significant Accounting Policies (Continued)

(z) Revenue recognition (continued)

(iii) Interest income (continued)

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.

(aa) Interest expense

Interest expense is recognised in the statement of operations on an accrual basis using the effective yield method.

Amounts paid under contracts with principally financial risk are recorded directly to the balance sheet as an adjustment. The interest credited to these funds is recorded as an interest expense.

(bb) Commissions

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

(cc) Taxation

Taxation expense in the statement of operations comprises current and deferred tax. Current and deferred taxes are recognised as income tax expense or benefit in the statement of operations except, where they relate to items recorded in stockholders' equity, they are also charged or credited to stockholders' equity.

Current tax charges are based on taxable profit for the year, which differs from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The company's liability for current tax is calculated at tax rates that have been enacted at balance sheet date.

Deferred tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

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.

Current and deferred tax assets and liabilities are offset when they arise from the same taxable entity, relate to the same tax authority and when the legal right of offset exists.

2. Summary of Significant Accounting Policies (Continued)

(dd) Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements where the company or its subsidiaries act in a fiduciary capacity such as nominee, trustee or agent.

(ee) Financial instruments

Financial instruments carried on the balance sheet include cash resources, investments, securities purchased under resale agreement, other assets, and other liabilities.

The fair values of the Group's and the company's financial instruments are discussed in Note 51.

(ff) 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 balance sheet. 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.

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 statement of operations when the forecast cash flows affect the statement of operations. The gain or loss relating to the ineffective portion is recognised immediately in the statement of operations.

Gains and losses from changes in the fair value of derivatives that do not qualify for hedge accounting are included in the statement of operations.

(gg) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in the presentation in the current year. In particular, comparatives have been adjusted to take into account the adoption of the new and revised IFRS.

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

In the process of applying the Group's accounting policies, management has made no significant judgements on the amounts recognised in the financial statements.

(b) Key sources of estimation uncertainty

(i) 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.

(ii) Estimate of future payments and premiums arising from long-term insurance contracts and other intangible assets.

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 and national 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 $1,200,709,000 (2007 - $509,676,000).

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

(b) Key sources of estimation uncertainty (continued)

(*iii*) *Estimate of future payments and premiums arising from long-term insurance contracts and other intangible assets (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 $3,467,110,000 (2007 - $1,208,691,000).

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.

Where the actual lapse experience differs by 200% or by 50% of expected lapse experience the liability would increase by $1,874,574,000 (2007 - $1,806,585,000).

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

(b) Key sources of estimation uncertainty (continued)

(iv) *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 periodic 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.

If the expected return on plan assets were to change by 1% the net expense would change by $35,280,000 for the Group and $32,637,000 for the company. If the discount rate changed by 1% then the expense would change by $35,644,000 for the Group and $24,652,000 for the company.

(v) Recognition and measurement of intangible assets

The recognition and measurement of intangible assets, other than goodwill, in a business combination, involve the utilisation of valuation techniques. These intangibles may be market related, consumer related, contract based or technology based.

For significant amounts of intangibles arising from a business combination, the Group utilises independent professional advisers to assist management in determining the recognition and measurement of these assets.

(vi) 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.

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

(b) Key sources of estimation uncertainty (continued)

(vii) 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.

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

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 Life Services - This includes provision of life insurance services to individuals.

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

(c) General Insurance Services – This includes property and casualty insurance.

(d) Banking and Asset Management – This includes development, commercial and merchant banking and asset management.

(e) Other Services – This comprises property management, captives management and stockholders' funds.

Transactions between the business segments are on normal commercial terms and conditions.

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

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5. Segmental Financial Information (Continued)

	The Group						
	2008						
	Individual Life Services	Employee Benefits Services	General Insurance Services	Banking and Asset Management Services	Other	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenues	6,042,261	17,367,595	614,832	3,016,202	1,218,046	-	28,258,936
Revenue from other segments	(35,804)	12,629	22,663	51,464	20,306	(71,258)	-
Total revenues	6,006,457	17,380,224	637,495	3,067,666	1,238,352	(71,258)	28,258,936
Benefits and expenses	(4,675,418)	(15,231,431)	(575,472)	(1,186,006)	(860,233)	164,221	(22,364,339)
Amortisation of purchased intangibles	-	(85,751)	(15,259)	(100,352)	-	-	(201,362)
Amortisation of software	(4,668)	(10,149)	(2,676)	(46,831)	(17,443)	-	(81,767)
Finance costs	-	(15,145)	(15,145)	-	(17,223)	18,323	(29,190)
Profit/(loss) before tax	1,326,371	2,037,748	28,943	1,734,477	343,453	111,286	5,582,278
Gain on the sale of shares to ultimate parent company							
Income tax expense	(258,526)	(222,720)	-	(453,897)	(104,884)	-	(1,040,027)
Net profit/(loss)	1,067,845	1,815,028	28,943	1,280,580	238,569	111,286	4,542,251
Segment assets -							
Intangible assets	1,256,241	2,010,261	80,179	1,895,574	49,533	-	5,291,788
Other assets	18,618,788	18,946,797	5,188,542	62,289,008	8,846,017	(2,234,925)	111,654,227
	19,875,029	20,957,058	5,268,721	64,184,582	8,895,550	(2,234,925)	116,946,015
Unallocated assets -							
Investments in associates (Note 13)							2,725
Deferred income taxes (Note 18)							636,485
Retirement benefit assets (Note 15)							206,190
							117,791,415
Segment liabilities	16,551,968	16,909,539	3,979,554	56,527,819	5,151,826	(2,234,925)	96,885,781
Unallocated liabilities -							
Deferred income taxes (Note 18)							418,647
Developmental loans							467,684
Retirement benefit obligations (Note 15)							430,422
							98,202,534
Other segment items -							
Depreciation (Note 14)							162,724
Capital expenditure (Note 14)							223,104

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5. Segmental Financial Information (Continued)

	Individual Life Services	Employee Benefits Services	General Insurance Services	Banking and Asset Management Services	Other Services	Eliminations	Group
	The Group						
	2007						
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
External revenues	5,503,804	7,663,897	495,799	2,456,998	843,443		16,963,941
Revenue from other segments	37,271		17,558	104,348	2,234	(161,411)	-
Total revenues	5,541,075	7,663,897	513,357	2,561,346	845,677	(161,411)	16,963,941
Benefits and expenses	(4,210,296)	(6,116,554)	(445,794)	(854,416)	(633,323)	140,724	(12,119,659)
Amortisation of intangibles	(4,142)	(95,698)	(17,387)	(369,262)	(17,533)	-	(504,022)
Finance costs	-	(15,632)	(15,633)	-	(17,156)	20,687	(27,734)
Profit before tax	1,326,637	1,436,013	34,543	1,337,668	177,665	-	4,312,526
Income tax expense	(216,501)	(133,485)	-	(461,742)	(79,714)	-	(891,442)
Net profit	1,110,136	1,302,528	34,543	875,926	97,951	-	3,421,084
Segment assets : Intangible assets	1,184,168	1,393,492	404,184	1,930,260	72,863	-	4,984,967
Other assets	13,107,917	11,075,430	3,331,836	48,941,111	6,971,868	(1,442,090)	81,986,072
	14,292,085	12,468,922	3,736,020	50,871,371	7,044,731	(1,442,090)	86,971,039
Unallocated assets: Investments in associates (Note 13)							2,725
Deferred income taxes (Note 18)							46,422
Retirement benefit assets (Note 15)							49,544
							87,069,730
Segment liabilities	11,910,177	9,785,828	2,245,184	42,142,173	1,588,833	(1,442,090)	66,230,105
Unallocated liabilities -							
Deferred income taxes (Note 18)							216,139
Retirement benefit obligations (Note 15)							308,447
Business development loan							411,061
							67,165,752
Other segment items -							
Depreciation (Note 14)							131,374
Capital expenditure (Note 14)							152,252

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5. Segmental Financial Information (Continued)

The Group's secondary format for segment information is geographic:

	Jamaica	Grand Cayman	Total
	$'000	$'000	$'000
		2008	
Revenue	25,804,164	2,454,772	28,258,936
Total assets	101,382,269	16,409,146	117,791,415
		2007	
Revenue	14,634,633	2,329,308	16,963,941
Total assets	78,287,820	8,781,910	87,069,730

The company is managed on a matrix basis, reflecting lines of business. The company is organised into three primary business segments:

(a) Individual Life Services - This includes provision of life insurance services to individuals.

(b) Employee Benefits Services – This includes group and creditor life, personal accident, group health, group annuities and pension funds investment.

(c) Other Services - This comprise stockholders' funds.

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5. Segmental Financial Information (Continued)

	The Company			
	2008			
	Individual Life Services	Employee Benefit Services	Other Services	Total
	$'000	$'000	$'000	$'000
Revenues	5,323,926	16,010,647	1,406,065	22,740,638
Benefits and expenses	(4,213,059)	(13,891,766)	(636,982)	(18,741,807)
Amortisation of purchased intangible	-	(70,492)	-	(70,492)
Amortisation of software	(4,555)	(7,411)	(17,365)	(29,331)
Profit before taxation	1,106,312	2,040,978	751,718	3,899,008
Income tax expense	(258,526)	(222,720)	(102,314)	(583,560)
Net profit/(loss)	847,786	1,818,258	649,404	3,315,448
Segment assets -				
Intangible assets	855,862	1,702,637	49,275	2,607,774
Other assets	11,814,802	18,616,323	5,448,758	35,879,883
	12,670,664	20,318,960	5,498,033	38,487,657
Unallocated assets -				
Retirement benefit assets (Note 15)				184,482
Deferred income taxes (Note 18)				36,674
Investments in associates (Note 13)				2,725
Investment in subsidiaries (Note 22)				5,129,499
				43,841,037
Segment liabilities	10,198,239	16,813,563	2,460,640	29,472,442
Unallocated liabilities -				
Deferred taxation (Note 18)				267,606
Retirement benefit obligations (Note 15)				397,849
				30,137,897
Depreciation (Note 14)				78,757
Capital expenditure (Note 14)				116,565

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5. Segmental Financial Information (Continued)

	The Company			
	2007			
	Individual Life Services	Employee Benefits Services	Other	Total
	$'000	$'000	$'000	$'000
Revenue	4,846,431	6,689,108	786,000	12,321,539
Benefits and expenses	(3,620,918)	(5,245,067)	(455,418)	(9,321,403)
Amortisation of intangibles	(4,142)	(78,312)	(17,490)	(99,944)
Profit before taxation	1,221,371	1,365,729	313,092	2,900,192
Income tax expense	(216,501)	(133,485)	(77,622)	(427,608)
Net profit	1,004,870	1,232,244	235,470	2,472,584
Segment assets -				
Intangible assets	855,256	1,393,493	72,526	2,321,275
Other assets	10,717,765	10,997,431	4,639,451	26,354,647
	11,573,021	12,390,924	4,711,977	28,675,922
Unallocated assets -				
Deferred income taxes				30,997
Investments in associates (Note 13)				2,725
Investment in subsidiaries (Note 22)				5,054,847
				33,764,491
Segment liabilities	9,710,448	9,785,828	294,902	19,791,178
Unallocated liabilities -				
Deferred taxation (Note 18)				104,478
Retirement benefit obligations (Note 15)				291,033
				20,186,689
Depreciation (Note 14)				67,117
Capital expenditure (Note 14)				82,721

Segment assets consist primarily of investments that match insurance and banking liabilities, intangible assets and other operating assets such as receivables and cash. They exclude deferred taxation and retirement benefits assets.

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

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6. Cash Resources

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Balances with banks payable on demand	3,492,098	1,892,707	269,271	489,776
Cash in hand	91,766	17,954	108	125
	3,583,864	1,910,661	269,379	489,901
Short term deposits	1,779,864	670,745	915,157	16,771
Securities purchased under resale agreements (Note 9)	4,109,721	862,642	1,407,110	658,239
Investment securities (Note 8)	541,297	355,500	-	-
	10,014,746	3,799,548	2,591,646	1,164,911

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The amounts of $1,779,864 and $915,157 represent deposits with original maturity of less than 90 days out of the total Group and company short-term deposits of $1,809,780 and $945,073 respectively.

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

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Cash and cash equivalents	10,014,746	3,799,548	2,591,646	1,164,911
Repurchase agreements with other financial institutions	(159,461)	(1,386,626)	-	-
Bank overdrafts	(307,534)	(153,470)	(307,534)	(152,124)
	9,547,751	2,259,452	2,284,112	1,012,787

7. Cash Reserves at Bank of Jamaica

A prescribed minimum of 25% (2007 - 23%) of deposit liabilities are required to be maintained by the banking subsidiary in liquid assets, of which 13% (2007 - 11%) must be maintained as cash reserve with the Bank of Jamaica for Jamaican dollar currency and for the relevant foreign currency at 11%. (2007 – 9%) They are not available for investment, lending or other use by the Group.

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8. Financial Investments

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Short term deposits	1,809,780	681,721	945,073	27,748
Financial assets at fair value through profit or loss				
Government of Jamaica securities	302,135	1,432,392	-	-
Interest receivable	18,229	71,448	-	-
	320,364	1,503,840	-	-
Available-for-sale debt securities				
Government of Jamaica securities	37,344,887	46,968,922	3,773,427	12,007,687
Foreign governments	1,139,381	417,018	259,196	-
Corporate Bonds	8,414,620	4,151,803	666,143	449,878
Credit Linked Notes	2,767,462	-	-	-
Interest receivable	1,312,236	1,239,244	113,240	284,410
Quoted shares	1,827,061	608,526	1,224,605	155,429
Unquoted shares	71,767	314,880	-	-
Unit trusts	58,080	593,150	21,250	560,478
Other	-	305	-	305
	52,935,494	54,293,848	6,057,861	13,458,187
Loans and receivables				
Government of Jamaica securities	14,836,862	-	12,552,119	-
Foreign governments	57,146	-	-	-
Corporate debentures	50	1,465	50	1,466
Mortgage loans	1,974,723	1,763,659	1,935,584	1,718,378
Promissory notes	758,553	96,890	758,553	96,890
Loans	-	-	4,260	4,260
Policy loans	729,304	660,065	334,793	342,982
Interest receivable	411,412	8,596	334,016	23,283
	18,768,050	2,530,675	15,919,375	2,187,259
Held to maturity Investments				
Government of Jamaica securities	1,554,655	-	-	-
Total Financial Investments	75,388,343	59,010,084	22,922,310	15,673,194

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8. Financial Investments (Continued)

Included in Financial Investments are the following amounts which are pledged as collateral:

(a) Government of Jamaica Local Registered Stocks with a carrying value of $7,932,000 (2007 - $9,368,000) which have been pledged by the company as security for uncleared effects with the National Commercial Bank Jamaica Limited.

(b) Government of Jamaica Global bonds with a carrying value of US$13,555,626, Government of Jamaica bonds with a carrying value of US$1,934,000 and Government of Trinidad and Tobago bonds with a carrying value of US$2,431,200 have been pledged by the company as security for margin loans with JP Morgan of US$5,584,101.

(c) Government of Jamaica Global bonds with a carrying value of US$45,610,958 and Government of Trinidad and Tobago bonds with a carrying value of US$1,499,200 have been pledged by the company as security for margin loans of US$3,650,172 with Oppenheimer.

(d) Government of Jamaica Local Registered Stocks with a carrying value of $301,496,000, (2007 - $277,857,400) which have been pledged by the company with the Regulator, the Financial Services Commission, pursuant to Section 8 of the Insurance Regulations, 2001.

(e) Deed of Assignment of mortgages valued $438,517,192 (2007 - $324,057,000) which have been pledged by the company with the National Housing Trust (NHT) under joint financing mortgage programme as underlying security for funds received from the NHT.

(f) One of the company’s subsidiaries, Pan Caribbean Financial Services Limited, include $18,079,991 (2007 - $16,695,792,000) which represents the total of those assets pledged for which the transferee has the right by contract or custom to sell or re-pledge the collateral.

(g) Assets pledged by one of the company’s subsidiaries, Pan Caribbean Financial Services Limited, pledged with the Bank of Jamaica, Government of Jamaica Local Registered Stocks with a carrying value of $52,728,000 (2007 - $62,895,000) against possible shortfalls in its operating account.

(h) One of the company’s subsidiaries, Sagicor Life of the Cayman Islands, has Government of Jamaica global bonds with a carrying value of US$21,489,080, Government of Trinidad and Tobago bonds with a carrying value of US$1,545,000 and International corporate bonds with a carrying value of US$15,088,082 pledged as security for margin loans of US$11,428,525 with JP Morgan.

(i) One of the company’s subsidiaries, Sagicor Life of the Cayman Islands, has Government of Jamaica global bonds with a carrying value of US$864,000 Government of Trinidad and Tobago bonds with a carrying value of US$4,042,500, international corporate bonds with a carrying value of US$18,324,300 and equities with carrying value of US$1,895,498 pledged as security for margin loans of US$16,148,587 with Oppenheimer.

(j) One of the company’s subsidiaries, Sagicor Life of the Cayman Islands has Government of Jamaica global bonds with a carrying value of US$10,959,764, Government of Trinidad and Tobago bonds with a carrying value of US$690,000 Government of Barbados bonds with a carrying value of US$268,000 (2007 - US$11,456,000) and cash of US$2,100,000 as security pledged with Credit Suisse NY to secure a US$8,041,730 (2007 – US$8,054,094) loan facility.

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8. Financial Investments (Continued)

Included in investment securities are the following amounts which are regarded as cash equivalents for the purposes of the statement of cash flows:

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Debt securities with an original maturity of less than 90 days (Note 6)	541,297	355,000	-	-

Reclassification of Financial Investments

The Group and the company, reclassified certain investments from available-for-sale to loans and receivables in accordance with the amendment to IAS 39.

	2008	
	The Group	
	Carrying Value $'000	Fair Value $'000
Securities:		
US$ GOJ Global Bond	6,467,127	4,169,784
US$ Regional Government Bonds	57,146	45,539
J$ GOJ Local Bonds	5,064,126	4,609,170

	The Company	
	Carrying Value $'000	Fair Value $'000
Securities:		
US$ GOJ Global Bonds	4,182,386	2,684,853
J$ GOJ Local Bonds	5,064,126	4,609,170

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8. Financial Investments (Continued)

(a) The fair value losses exclusive of deferred taxation of $1,559,189,000 were recognised in equity in relation to the above investments reclassified during the year, using the fair value as at 30 September, 2008.

(b) Fair value losses of $2,763,906,000 for the Group and $1,952,489,000 for the Company exclusive of deferred taxation, would have been included in equity at the end of the year had the investments not been reclassified. In addition to the reclassification, the Group has opted to carry subsequent purchases of certain long term instruments as loans and receivables. Cumulative fair value losses of $3,587,731,000 for the Group and $2,776,314,000 for the Company, exclusive of deferred taxation would have been included in equity at the end of the year had the investments not been so classified. These amounts were estimated on the basis of the mid-price of the securities as at 31 December, 2008. Management does not believe that this price is necessarily indicative of the amount that these securities would have been valued if an active market for the securities actually existed at that date.

(c) The weighted average effective interest rate of the investments at the date of reclassification was 8.30% for US$ Bonds and 15.74% on J$ Bonds. The undiscounted cash flows to be recovered from the investment reclassified for the Group and the company are $44,838,863,000 (Company - $37,233,533,000) respectively.

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9. Securities Purchased Under Resale Agreements

The Group and the company entered into reverse repurchase agreements collateralised by Government of Jamaica securities. These agreements may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligation.

As at 31 December 2008, the Group held $4,833,586,280 (2007 - $1,758,061,000) of securities, mainly representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements.

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Securities purchased under resale agreements -				
Principal	4,429,905	1,096,114	1,387,111	658,239
Interest receivable	18,153	7,676	5,466	1,009
	4,448,058	1,103,790	1,392,577	659,248

Included in securities purchased under agreements to resell are the following amounts, which are regarded as cash equivalents for purposes of the statement of cash flows:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Securities purchased under agreements to resell with an original maturity of less than 90 days (Note 6)	4,109,721	862,642	1,407,110	658,239

10. Derivative Financial Instruments and Hedging Activity

Derivatives are carried at fair value and carried in the balance sheet 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.

10. Derivative Financial Instruments and Hedging Activity (Continued)

The fair values are set out below :

	The Group	
	Assets	**Liabilities**
	2008	**2008**
	$'000	**$'000**
Derivatives held for trading -		
Currency forwards	2,589,991	2,635,231
Equity indexed options	68,085	68,085
	2,658,076	2,703,316
Derivatives designated as cash flow hedge -		
Interest rate swap	299,230	-
	2,957,306	2,703,316

(i) Currency forwards
Currency forwards represent commitments to buy and sell foreign currencies on a gross basis at future dates at specified prices. The credit risk is evaluated for each contract and is collateralised where deemed necessary. The currency forward contracts are settled on a gross basis.

(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 32). The Group is exposed to credit risk on purchased options only, and only to the extent of the carrying amount, which is their fair value.

(iii) Hedging activity – cash flow hedge

Interest rate swap

The cash flow hedge is used to protect against exposures to variability in future interest cash flow on a floating rate available-for-sale financial instrument.

The notional principal amount of the outstanding interest rate swap contract is US$20M. The fixed interest rate is 10.201% and the floating rate is USD-LIBOR-BBA.

The amounts and timing of future cash flows, representing both principal and interest flows are based on their contractual terms. The critical terms of the interest rate swap have been negotiated to match the terms of available-for-sale financial instrument. Both the interest rate swap and the floating rate available-for-sale financial instrument mature in 2015. The interest rate swap is settled on a net basis.

The fair value gains recognised directly in stockholders' equity, in the fair value reserve, is $226,271,000 and the amount reclassified from stockholders' equity to the statement of operations during the year is $26,784,000.

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10. Derivative Financial Instruments and Hedging Activity (Continued)

There was no ineffectiveness to be recorded from the cash flow hedge.

There were no transactions for which cash flow hedge accounting had to be ceased as a result of the highly probable cash flows no longer being expected to occur.

The maximum exposure to credit risk at the balance sheet date is the fair value of the derivative assets in the balance sheet.

11. Loans and Leases, after Allowance for Credit Losses

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Gross loans	8,399,966	7,147,109	-	-
Less: Allowance for credit losses	(115,178)	(108,312)	-	-
	8,284,788	7,038,797	-	-
Loan interest receivable	86,279	79,615	-	-
	8,371,067	7,118,412	-	-
Lease receivables	75,625	48,831	4,819	9,541
	8,446,692	7,167,243	4,819	9,541

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

	The Group 2008	The Group 2007	The Company 2008	The Company 2007
Total non-performing loans	234,114	157,092	-	-
Balance at beginning of year	108,312	112,726	-	-
Movement during the year -				
Charged against revenue during the year	7,695	11,612	-	-
Recoveries of bad debts	(6,177)	(40)	-	-
Charged in the statement of operations	1,518	11,572	-	-
Write-offs	(5,693)	(25,608)	-	-
Currency revaluation adjustment	11,041	9,622	-	-
At end of year	115,178	108,312	-	-
This comprises:				
Specific provisions	43,878	62,189	-	-
General provisions	71,300	46,123	-	-
	115,178	108,312	-	-

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

Lease receivables:

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Gross investment in finance leases -				
Not later than one year	35,286	9,585	4,072	6,692
Later than one year and not later than five years	58,820	46,904	323	3,067
Less: Unearned income	(20,359)	(9,161)	(307)	(1,081)
Net investment in finance leases	73,747	47,328	4,088	8,678
Net investment in finance leases -				
Not later than one year	34,986	8,116	3,772	5,756
Later than one year and not later than five years	38,761	39,212	316	2,922
	73,747	47,328	4,088	8,678
Interest receivable	1,878	1,503	731	863
	75,625	48,831	4,819	9,541

12. Investment Properties

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
At beginning of year	264,084	441,023	264,084	441,023
Acquired during the year	48,091	17,344	48,091	17,344
Transferred to property, plant and equipment (Note 14)	-	(174,000)	-	(174,000)
Disposed during the year	-	(40,000)	-	(40,000)
Fair value gains	14,000	19,717	14,000	19,717
At end of year	326,175	264,084	326,175	264,084

The properties as at 31 December 2008 were valued at current market value by Allison Pitter and Company Limited and 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		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Rental income	6,207	8,388	6,207	8,388
Direct operating expenses	(3,248)	(3,541)	(3,248)	(3,541)
Gain on sale	-	12,388	-	12,388

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13. Investment in Associated Company

(a)

Name of Company	Principal Activity	Equity Capital held by Company
St. Andrew Developers	Real estate development (dormant)	33⅓%

The company is incorporated and resident in Jamaica and is unlisted.

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

	The Group and the Company	
	2008	**2007**
	$'000	**$'000**
Shares, at cost	2	2
Share of post acquisition reserves	(2,501)	(2,501)
Loans and current accounts	5,224	5,224
	2,725	2,725

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14. Property, Plant and Equipment

	The Group				
	Leasehold Buildings & Improvements $'000	**Freehold Land & buildings $'000**	**Furniture & Equipment $'000**	**Motor Vehicles $'000**	**Total $'000**
Cost or Valuation -					
At 1 January 2007	142,365	405,089	708,945	45,114	1,301,513
Revaluation adjustments	-	157,433	67	-	157,500
Additions	37,751	463	86,738	27,300	152,252
Transferred from investment properties	-	174,000	-	-	174,000
Disposals	-	-	(5,454)	(4,493)	(9,947)
Translation adjustment	-	10,043	7,356	206	17,605
At 31 December 2007	180,116	747,028	797,652	68,127	1,792,923
Revaluation adjustments	-	136,102	-	-	136,102
Acquired on Acquisition	-	303,091	86,167	5,003	394,261
Additions	38,965	4,026	133,964	46,149	223,104
Disposals	-	-	(4,071)	(7,931)	(12,002)
Translation adjustment	-	34,125	19,760	594	54,479
At 31 December 2008	219,081	1,224,372	1,033,472	111,942	2,588,867
Accumulated Depreciation -					
At 1 January 2007	36,634	5,432	374,893	34,969	451,928
Charge for the year	15,254	9,957	97,893	8,270	131,374
Relieved on revalued assets	-	(15,767)	-	-	(15,767)
Relieved on disposals	-	-	(5,398)	(4,019)	(9,417)
Translation adjustment	-	378	4,278	121	4,777
At 31 December 2007	51,888	-	471,666	39,341	562,895
Acquired on Acquisition	-	2,568	48,941	2,419	53,928
Charge for the year	21,150	14,017	114,202	13,355	162,724
Relieved on revalued assets	-	(14,093)	-	-	(14,093)
Relieved on disposals	-	-	(3,998)	(7,931)	(11,929)
Translation adjustment	-	718	12,971	589	14,278
At 31 December 2008	73,038	3,210	643,782	47,773	767,803
Net Book Value -					
31 December 2007	128,228	747,028	325,986	28,786	1,230,028
31 December 2008	146,043	1,221,162	389,690	64,169	1,821,064

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14. Property, Plant and Equipment (Continued)

	The Company				
	Leasehold Buildings & Improvements	Freehold Land & buildings	Furniture & Equipment	Motor Vehicles	Total
Cost or Valuation-					
At 1 January 2007 -	77,150	205,000	377,833	26,598	686,581
Revaluation adjustments	-	123,070	67	-	123,137
Additions	20,498	330	37,107	24,786	82,721
Transfers from investment properties	-	174,000	-	-	174,000
Disposals	-	-	(84)	(3,383)	(3,467)
At 31 December 2007	97,648	502,400	414,923	48,001	1,062,972
Revaluation adjustments	-	105,940	-	-	105,940
Acquired on Acquisitions	-	303,091	86,167	5,003	394,261
Transferred to Subsidiary	-	-	(36,383)	-	(36,383)
Additions	20,051	4,026	58,874	33,614	116,565
Disposals	-	-	(436)	(5,891)	(6,327)
At 31 December 2008	117,699	915,457	523,145	80,727	1,637,028
Accumulated Depreciation -					
At 1 January 2007	15,624	361	185,514	21,873	223,372
Charge for the year	8,345	4,781	48,195	5,796	67,117
Relieved on revalued assets	-	(5,142)	-	-	(5,142)
Relieved on disposals	-	-	(57)	(3,379)	(3,436)
At 31 December 2007	23,969	-	233,652	24,290	281,911
Acquired on acquisition	-	2,568	48,975	2,419	53,962
Charge for the year	12,676	7,400	49,000	9,681	78,757
Transferred to subsidiary	-	-	(19,404)	-	(19,404)
Relieved on revalued assets	-	(6,758)	-	-	(6,758)
Relieved on disposals	-	-	(432)	(5,891)	(6,323)
At 31 December 2008	36,645	3,210	311,791	30,499	382,145
Net Book Value -					
31 December 2007	73,679	502,400	181,271	23,711	781,061
31 December 2008	81,054	912,247	211,354	50,228	1,254,883

14. Property, Plant and Equipment (Continued)

In accordance with the Group's policy, certain owner-occupied properties were independently revalued during 2008 by professional real estate valuers. The excess of the revaluation over the carrying value of these property, plant and equipment on such date, amounting to $150,195,000 (2007 - $170,149,000), has been credited to investment and fair value reserves (Note 26).

If revalued assets of the Group were stated on a historical cost basis, the amounts would be as follows:

	2008	2007
	$'000	$'000
Cost	85,134	81,108
Accumulated depreciation	(35,784)	(33,581)
Net book value	49,350	47,527
Carrying value of revalued assets	1,221,162	747,028

15. Retirement Benefits

(a) Pension Scheme

The Group operates the following pension plans:

(i) Sagicor Life Jamaica Limited operates a defined contribution plan for eligible sales agents and a defined benefit plan for eligible administrative staff. The assets are held in a trust fund and are separate and apart from the assets of the company. The benefits for the staff 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 (2006) was 113%.

(ii) Sagicor Life of the Cayman Islands Limited 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) Pan Caribbean Financial Services Group has established 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 (2007) was 96%.

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15. Retirement Benefits (Continued)

(a) Pension schemes (continued)

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Retirement benefit assets -				
Pension scheme	206,190	49,544	184,482	-
Retirement benefit obligations -				
Pension scheme	-	69,006	-	69,006
Other post-retirement benefits	430,422	239,441	397,849	222,027
	430,422	308,447	397,849	291,033

Pension schemes comprised the following -

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Retirement benefit assets	(206,190)	(49,544)	(184,482)	-
Retirement benefit obligations	-	69,006	-	69,006
	(206,190)	19,462	(184,482)	69,006

The amounts recognised in the balance sheet are determined as follows:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Present value of funded obligations	3,787,130	3,636,653	3,563,974	3,455,049
Fair value of plan assets	(3,843,280)	(3,617,191)	(3,596,304)	(3,386,043)
	(56,150)	19,462	(32,330)	69,006
Unrecognised actuarial losses	(300,823)	(138,042)	(258,226)	(142,827)
Limitation of asset due to uncertainty of future benefits	150,783	138,042	106,074	142,827
(Assets)/liability in the balance sheet	(206,190)	19,462	(184,482)	69,006

The Pooled Investment Fund Limited, which manages the Group's pension plan, has assets including property occupied by the Group, with a market value of approximately $1,700,000,000 (2007 - $1,200,000,000).

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15. Retirement Benefits (Continued)

(a) Pension schemes (continued)

The amounts recognised in the statement of operations are as follows:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Current service cost	144,589	153,404	130,087	142,762
Interest cost	419,933	331,981	398,420	315,559
Expected return on plan assets	(470,861)	(436,014)	(439,989)	(412,843)
Change in unrecognised asset	12,741	68,047	(36,753)	93,167
Net actuarial losses recognised in year	-	287	-	-
Total, included in staff costs (Note 48)	106,402	117,705	51,765	138,645

The actual return on plan assets was negative $176,281,000 (2007 - positive $451,820,000) and negative $154,940,000 (2007 – positive $410,856,000) for the Group and company, respectively.

Movement in the fair value of plan assets recognised in the balance sheet:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	3,617,191	3,042,437	3,386,043	2,874,515
Acquired on acquisition	416,390	-	416,390	-
Members' contribution	165,847	146,058	145,877	129,493
Employer's contribution	147,572	123,552	120,771	108,443
Benefits paid	(274,573)	(94,691)	(269,365)	(88,738)
Expected return on assets	470,861	436,014	439,989	412,843
Actuarial loss	(700,008)	(36,179)	(643,401)	(50,513)
At 31 December	3,843,280	3,617,191	3,596,304	3,386,043

Movement in the liability recognised in the balance sheet:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	19,462	25,309	69,006	38,804
Assumed on acquisition (Note 59(b))	(184,482)	-	(184,482)	-
Total expense - as above	106,402	117,705	51,765	138,645
Contributions paid	(147,572)	(123,552)	(120,771)	(108,443)
At 31 December	(206,190)	19,462	(184,482)	69,006

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15. Retirement Benefits (Continued)

(a) Pension schemes (continued)

The principal actuarial assumptions used were as follows:

	The Group and The Company	
	2008	**2007**
Discount rate	16.00%	13.00%
Inflation	10.00%	9.00%
Investment fees	1.00%	1.00%
Administrative fees	1.00%	1.00%
Expected return on plan assets	14.00%	13.00%
Future salary increases	13.00%	10.00%
Future pension increases	5.00%	4.50%
Average expected remaining working lives (years)	10	14

Pension plan assets are comprised as follows:

	The Company			
	2008 $'000	**%**	**2007 $'000**	**%**
Acquired from Blue Cross Jamaica [(a)]	416,390	11%	-	-
Equities	855,558	24%	1,185,115	35%
Mortgages and real estate	348,561	10%	507,906	15%
Money market fund	570,372	16%	203,163	6%
Fixed income fund	792,184	22%	894,332	26%
Foreign exchange	602,059	17%	575,628	17%
	3,585,124	100%	3,366,144	99%
Late deposit	11,180	0%	19,899	1%
	3,596,304	100%	3,386,043	100%

		$'000
[(a)]	Equities	49,513
	GOJ Bonds/LRS	187,318
	Repurchase agreements	124,862
	Corporate bonds	23,688
	Preference shares	10
	Leased assets	5,941
	Net current assets	25,058
		416,390

The expected company contributions to post-employment plan for the year ending 31 December 2009 are 128,002,000.

The expected return on plan assets is based on market expectation of inflation plus a margin for real returns on a balanced portfolio.

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15. Retirement Benefits (Continued)

(a) Pension schemes (continued)

	The Company				
	Pensions				
	2008 $'000	**2007 $'000**	**2006 $'000**	**2005 $'000**	**2004 $'000**
As at 31 December					
Present value of defined benefit obligation	3,563,974	3,455,049	2,913,319	2,176,045	1,819,166
Fair value of plan assets	(3,596,304)	(3,386,043)	(2,874,515)	(2,346,033)	(1,915,265)
Fund status	(32,330)	69,006	38,804	(169,988)	(96,099)
Actuarial (gain)/loss on plan liabilities	(551,196)	42,654	344,464	(2,291)	600,401
Actuarial (gain)/loss on plan assets	643,401	50,513	(38,063)	(50,783)	(484,656)

(b) Other post-employment 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.

In addition to the assumptions used for the pension scheme, the main actuarial assumption is a long-term increase in health costs of 14.5% (2007 – 15%) per year.

The company has instituted a restructuring of its post-employment health benefits policy for pensioners, staff and agents. The effect of this restructuring has been taken into account in the actuarial valuation as at 31 December 2008.

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15. Retirement Benefits (Continued)

(b) Other post-employment benefits (continued)

The amounts recognised in the balance sheet are as follows:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Present value of unfunded obligations	588,965	473,695	548,801	433,278
Fair value of plan assets	(83,734)	(74,101)	(83,734)	(74,101)
Unrecognised actuarial losses	(74,809)	(160,153)	(67,218)	(137,150)
Liability in the balance sheet	430,422	239,441	397,849	222,027

The amounts recognised in the statement of operations are as follows:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Current service cost	60,053	45,712	53,271	41,624
Expected return on plan assets	(9,633)	(9,211)	(9,633)	(9,211)
Interest cost	81,382	57,439	76,258	54,580
Curtailment loss/(gain)	23,738	(109,312)	21,731	(104,787)
Net actuarial (gains)/losses	10,319	8,193	9,073	7,705
Total included in staff costs (Note 48)	165,859	(7,179)	150,700	(10,089)

Movements in the amounts recognised in the balance sheet:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Liability at beginning of year	239,441	254,763	222,027	240,259
Assumed on acquisition (Note 59(b))	37,678	-	37,678	-
Total expense, as above	165,859	(7,179)	150,700	(10,089)
Contributions paid	(12,556)	(8,143)	(12,556)	(8,143)
Liability at end of year	430,422	239,441	397,849	222,027

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15. Retirement Benefits (Continued)

(b) Other post-employment benefits (continued)

The effects of a 1% increase/decrease in the medical inflation rate assumption would result as follows:

	Medical inflation decrease by 1% $'000	Medical inflation Increase by 1% $'000
Revised Service Cost	42,443	66,189
Revised Interest Cost	64,871	90,809
Revised Accumulated Post Employment Benefit obligation	483,973	542,938

	The Company				
	Health and Life				
	2008 $'000	2007 $'000	2006 $'000	2005 $'000	2004 $'000
As at 31 December					
Present value of defined benefit obligation	548,801	433,278	458,905	280,992	165,956
Fair value of plan assets	(83,734)	(74,101)	(64,890)	(57,680)	-
Fund status	465,067	359,177	394,015	223,312	165,956
Actuarial (gain)/loss on plan liabilities	(192,447)	39,631	121,438	77,218	(52,381)

16. Reinsurance Contracts

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Claims recoverable from reinsurers	1,591,202	463,748	57,848	57,720
Unearned premiums ceded to reinsurers	906,294	872,453	-	-
Reinsurers' share of actuarial liabilities	76,753	5,125	-	-
	2,574,249	1,341,326	57,848	57,720

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

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17. Intangible Assets

	The Group				
	Goodwill	Contractual Customer Relationship	Trade Names	Computer Software	Total
Cost -	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 January 2007	2,006,475	3,298,888	494,648	329,491	6,129,502
Additions	-	-	-	61,396	61,396
Purchased during the year -					
Sagicor General Insurance	30,148	-	-	-	30,148
Exchange adjustment	21,561	13,120	1,065	2,433	38,179
At 31 December 2007	2,058,184	3,312,008	495,713	393,320	6,259,225
Additions	-	-	-	118,611	118,611
Acquired on acquisition	-	-	-	40,077	40,077
Intangible assets identified on acquisition of Blue Cross Jamaica Limited (Note 59(b))	-	377,000	-	-	377,000
Adjustment to goodwill for prior acquisition of Sagicor General Insurance	(29,089)	-	-	-	(29,089)
Exchange adjustment	89,222	38,293	3,109	8,380	139,004
At 31 December 2008	2,118,317	3,727,301	498,822	560,388	6,904,828
Amortisation -					
At 1 January 2007	-	351,104	257,931	156,786	765,821
Amortisation charge	-	196,923	236,717	70,383	504,022
Exchange adjustment	-	2,063	1,065	1,286	4,415
At 31 December 2007	-	550,090	495,713	228,455	1,274,258
Acquired on acquisition	-	-	-	36,323	36,323
Amortisation charge	-	198,331	-	84,798	283,129
Exchange adjustment	-	11,040	3,109	5,181	19,330
At 31 December 2008	-	759,461	498,822	354,757	1,613,040
Net Book Value -					
31 December 2007	2,058,184	2,761,918	-	164,865	4,984,967
31 December 2008	2,118,317	2,967,840	-	205,631	5,291,788

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17. Intangible Assets (Continued)

The allocation of goodwill to the Group's and the company's CGUs is as follows:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$000	**$000**	**$000**	**$000**
Sagicor Life Jamaica Employee Benefits Division	855,191	855,191	855,191	855,191
Sagicor Life Jamaica Individual Life Division	530,126	530,126	530,126	530,126
Pan Caribbean Financial Services Limited	186,066	186,066	-	-
Sagicor Life of the Cayman Islands Ltd	399,637	328,912	-	-
Sagicor General Insurance Ltd	147,297	157,889	-	-
	2,118,317	2,058,184	1,385,317	1,385,317

For the year ended 31 December 2008, management tested goodwill allocated to Sagicor Life Jamaica Individual Life Division, Sagicor Life Jamaica Employee Benefits Division, Sagicor Life of the Cayman Islands Ltd, Pan Caribbean Financial Services Limited and Sagicor General Insurance Limited for impairment.

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

The recoverable amounts of the non-life Pan Caribbean Financial Services Limited and Sagicor General Insurance Ltd CGUs 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	4.3	-	-	-
Sagicor Life Jamaica Employee Benefits Division	4.4	-	-	-
Sagicor Life of the Cayman Islands Ltd	8.3	-	-	-
Pan Caribbean Financial Services Limited	-	9.20%	9.00%	25.90%
Sagicor General Insurance Ltd	-	2.70%	7.00%	12.30%

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17. Intangible Assets (Continued)

	The Company			
	Goodwill	Contractual Customer Relationship	Computer Software	Total
	$'000	$'000	$'000	$'000
Cost -				
At 1 January 2007	1,385,317	1,051,973	153,687	2,590,977
Additions	-	-	683	683
At 31 December 2007	1,385,317	1,051,973	154,370	2,591,660
Transfer to subsidiary	-	-	(479)	(479)
Acquired on acquisition (Note 59 (b))	-	377,000	40,077	417,077
Additions	-	-	5,630	5,630
At 31 December 2008	1,385,317	1,428,973	199,598	3,013,888
Amortisation -				
At 1 January 2007	-	122,082	48,358	170,440
Amortisation charge	-	69,761	30,184	99,945
At 31 December 2007	-	191,843	78,542	270,385
Transfer to subsidiary	-	-	(417)	(417)
Acquired on acquisition	-	-	36,323	36,323
Amortisation charge	-	69,761	30,062	99,823
At 31 December 2008	-	261,604	144,510	406,114
Net Book Value -				
31 December 2007	1,385,317	860,130	75,828	2,321,275
31 December 2008	1,385,317	1,167,369	55,088	2,607,774

Amortisation charges of $283,129,000 (2007 - $504,022,000) and $99,823,000 (2007 - $99,945,000) have been included in expenses for the Group and the company respectively. Customer relationships are amortised over 4 - 20 years and computer software are being amortised over 3-10 years.

18. Deferred Income Taxes

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

(a) 15% for the company; and
(b) 33⅓% for Pan Caribbean Financial Services Limited and Sagicor Property Services Limited.

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

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Deferred income tax assets	(636,485)	(46,422)	(36,674)	(30,997)
Deferred income tax liabilities	418,647	216,139	267,606	104,478
	(217,838)	169,717	230,932	73,481

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

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Balance as at 1 January	169,717	336,772	73,481	7,945
Charged/(credited) to statement of operations (Note 49)	79,859	80,111	96,053	65,536
Charged to stockholders' equity	(467,414)	(247,166)	61,398	-
Balance as at 31 December	(217,838)	169,717	230,932	73,481

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18. Deferred Income Taxes (Continued)

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

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Deferred income tax assets -				
Property, plant and equipment	(363)	(516)	(92)	-
Investment securities - available-for-sale	(581,338)	-	-	-
Pensions and other post-retirement benefits	(31,133)	(24,825)	(20,275)	(20,023)
Interest payable	(5,841)	(2,693)	(5,450)	(2,614)
Tax losses unused	(398)	(7,062)	-	-
Other	(17,412)	(11,326)	(10,857)	(8,360)
	(636,485)	(46,422)	(36,674)	(30,997)
Deferred income tax liabilities -				
Property, plant and equipment	83,432	37,255	70,699	27,802
Trading securities	12,807	19,110	-	-
Interest rate swap	99,743	-	-	-
Available-for-sale investments	-	47,217	-	-
Impairment losses on loans	15,332	19,243	-	-
Interest receivable	65,838	46,517	65,818	46,484
Pensions and other post-retirement benefits	34,908	15,513	27,672	-
Unrealised gains on investment properties	100,624	30,192	100,624	30,192
Other	5,963	1,092	2,793	-
	418,647	216,139	267,606	104,478
Deferred income (asset)/liability	(217,838)	169,717	230,932	73,481

18. Deferred Income Taxes (continued)

These balances include the following:

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Deferred tax assets to be settled after more than 12 months	611,508	25,341	20,275	20,023
Deferred tax liabilities to be recovered after more than 12 months	207,136	99,985	70,699	27,802

Deferred income taxes liabilities have not been provided for withholding and other taxes that would be payable on the undistributed earnings of certain subsidiaries to the extent that such earnings are permanently reinvested. Such undistributed earnings totaled $1,328,421,000 (2007- $1,131,317,000).

19. Other Assets

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Broker receivables	1,106	167,605	-	43,678
Due from sales representatives	437,075	389,536	388,008	332,254
Real estate developed for resale -				
Opening balance	279,227	591,667	279,227	591,667
Cost of sales	(209,860)	(643,463)	(209,860)	(643,463)
Amounts acquired (Note 59 (b))	228,518	-	228,518	-
Additions during the year	202,398	331,023	202,398	331,023
	500,283	279,227	500,283	279,227
Premiums due and unpaid	1,526,300	1,308,519	1,055,183	836,883
Deferred acquisition commission	91,935	86,391	4,680	-
Due from related parties (note 21)	807,763	465,978	567,160	527,062
Due from Government Employees Administrative Services Only Fund (GEASO)	177,679	-	177,679	-
Prepayments	148,011	59,592	143,862	58,491
Due from Cayman National Corporation	110,229	-	-	-
Customer settlements accounts	224,964	64,402	-	-
Other receivables	640,039	214,238	104,170	56,290
	4,665,384	3,035,488	2,941,025	2,133,885

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

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20. Segregated Funds

(a) The Group and the company manage accounts totaling approximately $6,560,697 (2007 - $6,261,696) and $6,295,831 (2007 - $5,965,561), respectively on behalf of certain life insurance policyholders under the Balance Fund, Sagicor Equity Fund, Sagicor Fixed Income Fund, Sagicor US Fund, Capital Growth Fund, Sagicor Money Market Fund (formerly First Life Money Market Fund) and Sagicor Real Estate Fund (formerly First Life Real Estate Fund). The assets are the property of the policyholders who share all rewards and risks of the performance of the Funds.

(b) Net assets of the Segregated Funds

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Corporate debentures	337,913	56,062	337,913	56,062
Government securities	2,767,235	3,100,095	2,632,795	2,880,048
Government securities purchased under resale agreements and short-term loans	1,186,822	204,964	1,129,601	199,219
Investment properties	1,188,547	1,012,893	1,188,547	1,012,893
Quoted equities	754,781	1,358,994	681,845	1,302,248
Unit trusts	44,321	312,620	44,321	312,620
Other assets	281,078	216,068	280,809	202,471
	6,560,697	6,261,696	6,295,831	5,965,561

(c) Income by type on Segregated Funds' Investments

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Corporate debentures	7,961	5,662	7,961	5,662
Government securities	15,296	276,199	66,547	257,500
Government securities purchased under resale agreements and short-term loans	52,483	17,227	51,246	16,891
Investment properties	161,005	168,283	161,005	168,283
Quoted equities	(276,036)	155,396	(231,522)	152,780
Unit trusts	(236,996)	19,091	(236,996)	19,091
	(276,287)	641,858	(181,759)	620,207

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21. Due from/to Related Companies – Balances and Transactions

The Group is controlled by Sagicor Financial Corporation, a company incorporated and domiciled in Barbados, which owns 59.37% (2007 – 59.40%) of the ordinary stock units. First Jamaica Investment Limited owns 24.51% (2007 – 24.53%) of the ordinary stock units. The remaining 16.12% (2007 - 16.07%) of the stock units is widely held.

Related parties include the Pooled Investment Funds and the Segregated Funds managed by the Group.

Related companies include ultimate parent company, parent company and fellow subsidiaries.

(a) The balance sheet includes the following balances with related parties and companies:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Due from related companies -				
Ultimate parent company	656,527	270,931	292,605	245,331
Parent company	40,248	40,235	40,248	40,235
Subsidiary companies	-	-	142,058	86,684
Segregated funds	18,739	42,631	-	42,631
Pooled Pension Investment Fund	85,549	105,418	85,549	105,418
Other managed funds	6,700	6,763	6,700	6,763
	807,763	465,978	567,160	527,062

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Due to related companies -				
Ultimate parent company	196,778	60,010	194,651	60,010
Subsidiary companies	-	-	53,815	307
Segregated funds	34,517	17,708	34,517	4,113
	231,295	77,718	282,983	64,430
Directors and key management personnel -				
Loans	5,606	19,441	-	-
Customer deposits	6,638	3,610	-	-
Securities sold under repurchase agreements	93,583	61,887	-	-
Structured Products	27,675	-	-	-
Derivative financial instrument assets	21,960	-	-	-
Derivative financial instrument liabilities	19,815	-	-	-

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21. Due from/to Related Companies – Balances and Transactions

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

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Parent company -				
Investment income	8,525	3,826	8,525	3,826
Shared services fees	107,593	54,394	107,593	54,394
Fellow subsidiaries -				
Administration fee income	-	-	23,457	20,115
Management fee income	-	-	89,729	77,717
Premium income	-	-	-	10,757
Shared services fees	-	-	111,479	96,798
Segregated funds -				
Administration fees income	-	13,592	-	13,592
Management fee income	123,560	105,485	118,117	100,764

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21. Due from/to Related Companies – Balances and Transactions (continued)

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

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Pooled Investment Fund -				
Lease rental expense	152,205	152,205	152,205	152,205
Management fee income	349,479	355,225	349,479	355,225
Administration fee income	-	117,583	-	117,583
Directors and key management personnel -				
Interest expense	5,955	5,910	-	-
Other related parties -				
Interest and other income earned	8,525	3,806	17,278	38,113
Interest and other expenses paid	-	-	130,704	105,749
Key management compensation -				
Salaries and other short term benefits	422,071	307,512	245,450	211,493
Share based payments	29,208	28,373	21,951	18,615
Post-employment benefits	15,541	20,755	15,541	14,179
	466,820	356,640	282,942	244,287
Directors' emoluments -				
Fees	25,273	22,208	11,170	10,480
Other expenses	2,055	1,478	1,893	1,478
Management remuneration (included above)	67,399	76,895	67,399	75,561
	94,727	100,581	80,462	87,519

22. Investment in Subsidiaries

	The Company	
	2008	**2007**
	$'000	**$'000**
Balance as at 1 January	5,054,847	5,041,506
Acquired during the year	74,852	13,341
Balance at 31 December	5,129,499	5,054,847

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23. Share Capital

	The Group and The Company	
	2008	**2007**
	$'000	**$'000**
Authorised:		
13,598,340,000 (2007 – 13,598,340,000) Ordinary shares		
Issued and fully paid:		
3,750,264,000 (2007 – 3,748,110,000)		
Ordinary shares	7,796,463	7,779,665

	Share Capital	
	No.'000	**$'000**
At 31 December 2007	3,748,110	7,779,665
Share options exercised	2,154	16,798
At 31 December 2008	3,750,264	7,796,463

24. Capital Reserve

This represents the capital redemption reserve fund arising on the redemption of preference shares.

25. Stock Option Reserve

Long-term Incentive plan

The company offers stock options to senior executives as part of its long-term incentive plan. The company has set aside 150,000,000 of its authorised but un-issued shares of $0.10 each for the stock options.

The company introduced a new Long Term Incentive (LTI) plan effective January 2007. This plan replaced the previous Stock Option plan. Under the LTI, plan executives are entitled but not obliged to purchase the company stock at a pre-specified price at some future date, once a pre-determined performance objective is met. 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 Life Jamaica Limited stock at the strike price. The exercise price of the options is the closing bid price on 31 March of the measurement year.

Under the previous Stock Option plan, options were granted on December 31, of each year. The strike price was the closing bid price on the grant date. The number of stock options in each stock option award was calculated based on a percentage of applicable salary divided by the strike price. Options were exercisable beginning one year from the date of grant and had a contractual term of six years from the date of grant.

Details of the share options outstanding are as follows:

	The Group			
	2008		**2007**	
	Options (thousands)	**Average exercise price in $ per share**	**Options (thousands)**	**Average exercise price in $ per share**
At beginning of year	19,334	6.79	23,866	6.54
Granted	-	-	-	-
Expired	(985)	2.70	-	-
Exercised	(2,154)	3.90	(4,532)	5.5
At end of year	16,195	7.42	19,334	6.79
Exercisable at the end of the period	13,026	7.93	13,286	6.45

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25. Stock Option Reserve (Continued)

Stock options outstanding at the end of the year have the following expiry date and exercise price:

	2008	2007	2006
2007	-	-	5,330
2008	-	6,836	7,023
2009	3,233	3,233	3,233
2010	3,884	3,884	3,884
2011	4,396	-	-
	11,513	13,953	19,470

For options outstanding at the end of the year, exercise prices range from $9.00 to $11.30 (2007 - $2.70 to $11.30). The remaining contractual terms range from 1 to 3 years (2007 – 1 to 4 years).

The weighted average share price for options exercised during the year was $3.90 and proceeds of $16,798,000 were received by the company.

The stock option 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 at the year end, determined using the Black-Scholes valuation model was $35,167,000. The significant inputs into the model were share prices ranging from $9.00 (for 2006 grants) to $11.30 (for 2004 grants) at the grant date, dividend yield of 3.00%, standard deviation of the expected share price returns of 34%, option life disclosed above, and annual risk free interest rate ranging from 12.41% (for 2006 grants) to 16.77% (for 2004 grants). The expected volatility is based on statistical analysis of daily share prices over three years.

The Group and the company recognised cumulative expenses of $61,299,000 and $35,166,000 (2007 - $43,969,000 and $21,615,000) and share options expense of which $29,208,000 and $21,951,000 (2007 - $28,373,000 and $18,615,000) was recognised in the statement of operations of the Group and the company, respectively.

The company also has in place a share purchase plan which enables its administrative and sales staff to purchase a pool of Sagicor Life Jamaica Limited shares at 75% of the closing bid price on December 31, each year. During the year no shares were issued (2007 - 13,333,000 shares were issued for total proceeds of $103,200,000).

26. Investment and Fair Value Reserves

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 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	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Owner-occupied properties	447,456	297,261	364,971	252,273
Unrealised (losses)/gains, on available-for-sale securities	(1,655,130)	1,189,618	(936,578)	739,453
Gains recycled to revenue on disposal and maturity of available-for-sale securities	(1,531,228)	(1,319,812)	(733,060)	(622,084)
Impairment of equities	238,502	-	103,784	-
Transfer to retained earnings	(198,372)	(169,359)	(198,433)	(169,418)
	(2,698,772)	(2,292)	(1,399,316)	200,224

27. Currency Translation Reserve

This represents the unrealised foreign exchange gain or loss on the translation of subsidiaries with functional currencies other than the Jamaican dollar.

28. Other Reserves

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

(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.

29. Dividends Declared

	The Group and The Company	
	2008	2007
	$'000	$'000
First interim dividends - 24 cents per share (2007 - 15 cents per share)	899,950	561,777
Second interim dividends - 20 cents per share (2007 - 15 cents)	750,053	561,805
	1,650,003	1,123,582

The dividends paid for 2008 and 2007 represented a dividend per stock unit of $0.44 and $0.30 respectively.

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30. Due to Banks and Other Financial Institutions

	Currency	Rate	The Group		The Company	
			2008	2007	2008	2007
		%	$'000	$'000	$'000	$'000
Long Term Loans -						
Pan Caribbean Financial Services Limited:						
Development Bank of Jamaica Limited (DBJ) -						
Repayable over varying periods from 24 to 96 months	J$	various	111,512	127,741	-	-
Repayable over varying periods from 48 to 96 months	US$	various	60,120	92,364	-	-
European Investment Bank (EIB) -						
Repayable in 5 annual installments commencing March 2011 and ending March 2015	J$	2.00	28,943	23,943	-	-
Repayable in 1 installment on 31 December 2009	J$	2.00	24,854	24,855	-	-
Repayable in 1 installment on 31 December 2009	J$	Nil	-	15,361	-	-
Repayable in 1 installment on 31 December 2009	J$	Nil	8,093	24,640	-	-
Balance c/f			233,522	308,904	-	-

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30. Due to Banks and Other Financial Institutions (Continued)

			The Group		The Company	
	Currency	Rate	2008	2007	2008	2007
		%	$'000	$'000	$'000	$'000
Long Term Loans (continued)						
Balance b/f			233,522	308,904	-	-
European Investment Bank (EIB) (continued) -						
Repayable in 1 installment on 5 December 2009	J$	10.75	84,259	76,795	-	-
Repayable in 7 equal annual installments commencing on 5 December 2009	J$	10.00	25,978	23,815	-	-
Repayable in 7 equal annual installments commencing on 5 December 2009	J$	10.00	165,887	151,786	-	-
Repayable in 7 equal annual installments commencing on 5 December 2009	J$	10.50	36,691	33,500	-	-
Repayable in 7 equal annual installments commencing on 5 December 2009	J$	11.16	126,208	114,671	-	-
Repayable in 7 equal annual installments commencing on 5 December 2009	J$	9.57	65,464	60,226	-	-
Repayable in 1 installment on 31 December 2008	US$	3.50	-	34,045	-	-
Repayable in 1 installment on 31 December 2008	US$	5.50	-	58,077	-	-
Repayable in 7 equal annual installments commencing on 5 December 2014	J$	10.75	138,679	126,694	-	-
Repayable in 7 equal annual installments commencing on 5 December 2014	J$	11.37	72,170	65,445	-	-
Repayable in 7 equal annual installments commencing on 5 December 2014	US$	6.83	59,694	53,064	-	-
The National Export Import Bank of Jamaica Limited - Repayable in 42 monthly installments commencing May 2009 and ending October 2012	J$	9.00	11,603	-	-	-
Balance c/f			1,020,155	1,107,022	-	-

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30. Due to Banks and Other Financial Institutions (Continued)

	Currency	Rate	The Group		The Company	
			2008	2007	2008	2007
		%	$'000	$'000	$'000	$'000
Long Term Loans (continued) -						
Balance b/f			1,020,155	1,107,022	-	-
PanCaribbeanBank Limited:						
Development Bank of Jamaica Limited (DBJ) - Repayment over varying periods from 6 months to 108 months	J$	6.5 - 10.00	163,083	202,297	-	-
The National Export-Import Bank of Jamaica Limited - Repayable over varying periods	J$	9.00	80,671	45,694	-	-
Repayable over varying periods from 6 months to 54 months	US$	4.50	32,086	-	-	-
Sagicor Life Jamaica Limited:						
National Housing Trust NHT- Repayable in one installment on 24 October 2008	J$	Nil	-	14,238	-	14,238
Repayment in 30 quarterly installments commencing 31 March 2009	J$	8.00	10,823	11,872	10,823	11,872
Repayment in 21 quarterly installments commencing 31 March 2009	J$	8.00	1,050	1,206	1,050	1,206
Repayment in 28 quarterly installments commencing 31 March 2009	J$	8.00	130	145	130	145
Repayment over 13 years from commencing 31 January 2009	J$	1.75 – 6.00	433,355	315,361	433,355	315,361
Balance c/f			1,741,353	1,697,835	445,358	342,822

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30. Due to Banks and Other Financial Institutions (Continued)

	Currency	Rate	The Group		The Company	
			2008	2007	2008	2007
		%	$'000	$'000	$'000	$'000
Long Term Loans (continued)						
Balance b/f			1,741,353	1,697,835	445,358	342,822
Sagicor Life of the Cayman Island Ltd:						
Credit Suisse -						
Repayable in 1 installment on 21 February 2011	US$	6.95	645,081	563,173	-	-
Short Term Loans -						
Pan Caribbean Financial Services Limited:						
Oppenheimer & Co. Inc. - Repayable in one installment on 16 March 2009	US$	0.75	40,796	-	-	-
Sagicor Barbados Segregated Pension Funds - Repayable in one installment on 31 March 2009	US$	8.00	200,586	-	-	-
Citibank N. A - Repayable in one installment on 23 January 2008	US$	Nil	-	196,988	-	-
Sagicor Life Jamaica Limited:						
Pan Caribbean Financial Services Limited						
Repaid in one installment on 03 March 2008	J$	Nil	-	-	-	205,949
Repaid in one installment on 24 March 2008	US$	Nil	-	-	-	143,354
Balance c/f			2,627,816	2,457,996	445,358	692,125

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30. Due to Banks and Other Financial Institutions (Continued)

	Currency	Rate	The Group 2008 $'000	The Group 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
Short Term Loans (continued)						
Balance b/f			2,627,816	2,457,996	445,358	692,125
Sagicor Life Jamaica Limited:						
JP Morgan						
Repayable on demand	US$	1.83-5.37	447,938	430,109	447,938	430,110
Oppenhenhimer						
Repayable on demand	US$	1.83-5.37	292,805	58,070	292,805	58,070
Sagicor Life of the Cayman Island Limited:						
Credit Suisse						
Repayable in 1 installment on 21 February 2008	US$	Nil	-	3,808	-	-
JP Morgan						
Repayable on demand	US$	1.83-5.37	916,759	622,632	-	-
Oppenhenhimer						
Repayable on demand	US$	1.83-5.37	1,295,426	-	-	-
Bank Overdrafts -						
Pan Caribbean Financial Services Limited:						
Bank of Nova Scotia Jamaica Limited			-	1,346	-	-
Sagicor Life Jamaica Limited:						
National Commercial Bank			293,870	78,472	293,870	78,472
Bank of Nova Scotia Jamaica Limited			-	73,652	-	73,652
RBTT Bank Jamaica Limited			13,665	-	13,664	-
			5,888,277	3,726,085	1,493,635	1,332,429

30. Due to Banks and Other Financial Institutions (Continued)

(a) Development Bank of Jamaica Limited (DBJ)

The agreement with the Development Bank of Jamaica Limited allows DBJ, at its absolute discretion, to approve J$ financing to Pan Caribbean Financial Services Limited (PCFS) and PanCaribbeanBank Limited (PCB) for on-lending to farmers, other agricultural projects and development projects on such terms and conditions as DBJ may stipulate.

Funds disbursed to PCFS and PCB bear interest at DBJ's lending rate prevailing at the date of approval of each disbursement unless otherwise varied by DBJ.

(b) European Investment Bank (EIB)

Pan Caribbean Financial Services Limited has three facilities with the EIB.

Facility # 1

The EIB has established in favour of PCFS, credit in the amount of €1,000,000 for the financing of projects through equity participation in small and medium sized enterprises (the beneficiary).

PCFS shall repay the loan in respect of amounts disbursed under each allocation. The amount repayable is the Euro equivalent of one half of the net amount of dividends received by PCFS in respect of the corresponding equity participation during the preceding calendar year.

The outstanding balance of the loan after the payments made to 31 March 2010 shall be discharged in full by the payment of the adjusted loan balance by five equal annual installments beginning on 31 March 2011. Repayment may either be in Euro or one or more currencies of the member states of the European Economic Community and shall be calculated as the Euro equivalent of the Jamaican dollar liability using exchange rates between the Euro and the selected currencies prevailing on the thirtieth day before the date of payment. In the event of a liquidation of the beneficiary, the outstanding balance of the loan in respect of the equity participation shall be discharged by EIB.

Facility # 2

(i) A facility was established in the amount of €5,000,000. The loan was disbursed to PCFS in tranches. Interest, repayments and other charges payable in respect of each tranche will be remitted in the same currency as that in which the tranche was disbursed. To date total disbursement stands at approximately €2,106,000.

(ii) In 1999, an additional facility was established in the amount of €3,000,000, for the financing of projects through equity participation in small and medium sized enterprises. The outstanding loan balance is repayable in one instalment on 31 December 2007. In the year ended 31 December 2007 a request was made of EIB to extend the repayment date to 31 December 2009. In the event of a solvent liquidation of the beneficiary, PCFS shall pay over to EIB only the net proceeds from the liquidation, or a portion thereof, after deduction of any amounts repaid in respect of the equity participation.

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30. Due to Banks and Other Financial Institutions (Continued)

(b) European Investment Bank (EIB)

Facility # 3

A facility was established in the amount of €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 PCFS in tranches. The draw downs may be done in US$ of J$. The loan is repayable in the Euro equivalent of the outstanding loan balance by 7 equal instalments commencing 5 December 2008.

(c) The National Export-import Bank of Jamaica Limited

PCB is an approved financial institution of the National Export-Import Bank of Jamaica (EXIM). Through this partnership PCB is provided with funds which are utilised to finance customers with viable projects within EXIM's guidelines.

PCB offers trade credit, short term and medium term loans to customers engaged in manufacturing, agriculture tourism and export trading. The loans to customers are for varying terms and at a 3% spread.

(d) National Housing Trust

This is a third party financing agreement between the company and the National Housing Trust, and attracts interest at rates ranging from 1.75% to 8%. This loan is secured by Deed of Assignment of mortgages valued J$438,517,192.

(e) J P Morgan

Sagicor Life Jamaica Limited

This represents amount due to the broker for securities purchased by the company under margin loan facilities. The facilities attract interest rates ranging from 1.83% to 5.37%. These loans are repayable on demand and secured by Government of Jamaica Global Bonds totalling US$15,489,626 and Government of Trinidad and Tobago security totalling US$2,431,200.

Sagicor Life of the Cayman Islands Ltd

This represents amount due to the broker for securities purchased by Sagicor Life of the Cayman Islands under margin loan facilities. The facilities attract interest rates ranging from 1.83% to 5.37%. These loans are repayable on demand and secured by Government of Jamaica Bonds totalling US$21,686,580, Government of Trinidad and Tobago International Bond totalling US$1,545,000 and Corporate Bonds totalling US$14,890,581.

30. Due to Banks and Other Financial Institutions (Continued)

(f) Oppenheimer

Sagicor Life Jamaica Limited

This represents amount due to the broker for securities purchased by the company under margin loan facilities. The facilities attract interest rates ranging from 2.75% to 4.66%. These loans are repayable on demand and secured by Government of Jamaica Global Bonds totalling US$40,105,784 and Government of Trinidad and Tobago security totalling US$1,499,200.

(f) Oppenheimer (continued)

Sagicor Life of the Cayman Islands Ltd

This represents amount due to the broker for securities purchased by Sagicor Life of the Cayman Islands under margin loan facilities. The facilities attract interest rates ranging from 2.75% to 4.66%. These loans are repayable on demand and secured by Government of Jamaica Global Bonds totalling US$900,000 Government of Trinidad and Tobago Bonds totalling US$4,042,500, Equities totalling US$1,895,498 and Corporate Bonds totalling US$18,324,300.

(g) Credit Suisse

This represents a fixed rate loan at interest rate of 6.55%. The loan is secured by Government of Jamaica Global Bonds, Government of Barbados security, Government of Trinidad and Tobago security and cash totalling US$14,017,264. This loan is repayable in one instalment on 21 February 2011.

31. Customer Deposits

These represent the balance of customer accounts held with the PanCaribbeanBank Limited. They are initially stated at the nominal amount when funds are received and subsequently stated at amortised cost using the effective interest method.

32. Structured Products

	The Group	
	2008	**2007**
	$'000	**$'000**
Principal protected notes	356,355	-
Credit linked notes	731,185	-
	1,087,540	-

These structured products are offered by the banking subsidiary. A structured product is a pre-packaged investment strategy created to meet specific needs that cannot be met from the standardised financial instruments available in the market. Structured products can be used as an alternative to a direct investment, as part of the asset allocation process to reduce risk exposure of a portfolio, or to capitalise on current market trends.

Certain principal protected notes are linked to the equity indexed options disclosed in Note 10. The credit linked notes are structured securities with embedded credit default swaps allowing the Group to transfer specific credit risks to the note purchaser. Under this structure, the coupon or price of the note is linked to the performance of a reference asset. It offers the Group a hedge against credit risk and gives investors higher yields on the notes for accepting exposure to specified credit events.

33 Redeemable Preference Shares

	The Group	
	2008	**2007**
	$’000	**$’000**
Redeemable preference shares	1,264,324	-
Interest payable	6,866	-
	1,271,190	-

During the year, one of the company’s subsidiaries, Pan Caribbean Financial Services Limited, issued 6,321,621 12 ½% cumulative redeemable preference shares at a fixed price of $200 per share. The shares will be redeemed in 2013.

34. Provisions

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
At beginning of year	81,181	82,500	81,181	82,500
Provided during the year	140,000	-	140,000	-
Utilised during the year	(2,779)	(1,319)	(2,779)	(1,319)
At end of year	218,402	81,181	218,402	81,181

Provisions represent management's estimate of amounts likely to be paid based on claims against the Group which are still pending before the Courts, and restructuring costs.

35. Other Liabilities

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Accounts payable and accruals	729,751	541,431	499,870	414,158
Accrued vacation	86,934	30,507	36,892	21,367
Annuities payable	3,188	1,336	3,188	1,336
Construction costs payable	2,034	26,924	2,034	26,924
Dividends payable	29,057	17,657	29,057	17,657
Due to related parties (Note 21)	215,645	77,718	282,983	64,430
Bonus accrual	132,279	103,294	125,700	103,294
Premiums not applied	514,208	460,514	472,213	414,134
Reinsurance payable	468,246	402,960	23,629	42,291
Mortgage Principal Payable	171,277	149,313	171,277	149,313
Customer Settlement Accounts	33,317	234,277	-	-
Items in course of payment	139,069	-	-	-
Unearned reinsurance commissions	176,683	164,362	-	-
Miscellaneous	662,007	201,045	264,657	47,815
	3,363,695	2,411,338	1,911,500	1,302,719

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36. Insurance Contract Liabilities

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

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Group annuities	9,873,276	3,349,622	9,761,430	3,232,444
Group insurance	3,507,399	1,518,991	3,226,493	1,406,208
Individual insurance	2,037,348	1,422,438	791,998	608,011
	15,418,023	6,291,051	13,779,921	5,246,663

(b) Movements in insurance liabilities:

	The Group			
	2008			
	Individual Insurance	**Group Insurance**	**Group Annuities**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Balance at the beginning of the year	1,422,438	1,518,991	3,349,622	6,291,051
Normal changes in policyholders' liabil	34,068	1,739,043	6,509,431	8,282,542
Change in reinsurance recoverable	-	63,971	-	63,971
Assumed on acquisitions	424,312	154,741	-	579,053
Changes as a result of revaluation	156,530	30,653	14,223	201,406
Balance at end of year	2,037,348	3,507,399	9,873,276	15,418,023

	The Group			
	2007			
	Individual Insurance	**Group Insurance**	**Group Annuities**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Balance at the beginning of the	1,187,875	1,241,365	2,841,407	5,270,647
Normal changes in policyholders' liabilities	195,110	283,832	503,452	982,394
Change in reinsurance	-	(11,725)	-	(11,725)
Changes as a result of revaluation	39,453	5,519	4,763	49,735
Balance at end of year	1,422,438	1,518,991	3,349,622	6,291,051

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36. Insurance Contract Liabilities (Continued)

(b) Movements in insurance liabilities (continued)

	The Company			
	2008			
	Individual Insurance	Group Insurance	Group Annuities	Total
	$'000	$'000	$'000	$'000
Balance at beginning of year	608,011	1,406,208	3,232,444	5,246,663
Normal changes in policyholders' liabilities	183,987	1,665,544	6,528,986	8,378,517
Assumed on acquisitions	-	154,741	-	154,741
	791,998	3,226,493	9,761,430	13,779,921

	The Company			
	2007			
	Individual Insurance	Group Insurance	Group Annuities	Total
	$'000	$'000	$'000	$'000
Balance as previously stated	391,769	1,128,899	2,762,453	4,283,121
Normal changes in policyholders' liabilities	216,242	277,309	469,991	963,542
	608,011	1,406,208	3,232,444	5,246,663

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36. Insurance Contract Liabilities (Continued)

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

	The Group				
	2008				
	Insurance	**Pensions and Annuities**	**Other Liabilities**	**Capital and Surplus**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Quoted securities	104,482	-	-	1,852,414	1,956,896
Investment properties	-	-	-	326,175	326,175
Fixed Income securities	14,499,211	11,336,040	50,894,762	3,887,737	80,617,750
Mortgages	755,282	1,180,303	-	49,151	1,984,736
Other assets	822,416	114,224	11,935,115	13,473,406	26,345,161
Segregated Fund Assets	6,560,697	-	-	-	6,560,697
	22,742,088	12,630,567	62,829,877	19,588,883	117,791,415

	2007				
	Insurance	**Pensions and Annuities**	**Other Liabilities**	**Capital and Surplus**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Quoted securities	-	-	-	3,020,417	3,020,417
Investment properties	-	-	-	264,084	264,084
Fixed Income securities	4,223,936	5,498,032	33,325,791	11,621,972	54,669,731
Mortgages	943,365	775,013	-	45,282	1,763,660
Other assets	660,067	-	15,465,914	4,964,161	21,090,142
Segregated Fund Assets	6,261,696	-	-	-	6,261,696
	12,089,064	6,273,045	48,791,705	19,915,916	87,069,730

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36. Insurance Contract Liabilities (Continued)

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

	The Company				
	2008				
	Insurance	Pensions and Annuities	Other Liabilities	Capital and Surplus	Total
	$'000	$'000	$'000	$'000	$'000
Quoted securities	104,482	-	-	1,141,373	1,245,855
Investment properties	-	-	-	326,175	326,175
Fixed Income securities	8,168,257	11,153,571	-	1,481,646	20,803,474
Mortgages	755,282	1,180,302	-	10,012	1,945,596
Other assets	427,219	114,224	1,920,067	10,762,596	13,224,106
Segregated Fund Assets	6,295,831	-	-	-	6,295,831
	15,751,071	12,448,097	1,920,067	13,721,802	43,841,037

	2007				
	Insurance	Pensions And Annuities	Other Liabilities	Capital and Surplus	Total
	$'000	$'000	$'000	$'000	$'000
Quoted securities	-	-	-	716,212	716,212
Investment properties	-	-	-	264,084	264,084
Fixed Income securities	2,788,191	5,340,001	158,009	5,253,980	13,540,181
Mortgages	943,365	775,013	-	-	1,718,378
Other assets	357,671	-	3,792,560	7,409,844	11,560,075
Segregated Fund Assets	5,965,561	-	-	-	5,965,561
	10,054,788	6,115,014	3,950,569	13,644,120	33,764,491

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36. Insurance Contract Liabilities (Continued)

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

	The Group			
	2008			
	Individual Insurance	**Group Insurance**	**Group Annuities**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Change in assumed investment yields and inflation rate	(344,188)	-	(725,416)	(1,069,604)
Change due to the issuance of new policies and the decrements on in-force policies	655,243	1,739,043	7,238,629	9,632,915
Change due to other actuarial assumptions	(276,987)	-	(3,782)	(280,769)
	34,068	1,739,043	6,509,431	8,282,542

	2007			
	Individual Insurance	**Group Insurance**	**Group Annuities**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Change in assumed investment yields and inflation rate	382,815	-	(256,348)	126,467
Change due to the issuance of new policies and the decrements on in-force policies	295,471	226,776	702,058	1,224,305
Change due to other actuarial assumptions	(483,176)	57,056	57,742	(368,378)
	195,110	283,832	503,452	982,394

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36. Insurance Contracts Liabilities (Continued)

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

	The Company			
	2008			
	Individual Insurance $'000	Group Insurance $'000	Group Annuities $'000	Total $'000
Change in assumed investment yields and inflation rate	(269,510)	-	(712,367)	(981,877)
Change due to the issuance of new policies and decrements on in-force policies	697,712	1,665,544	7,245,052	9,608,308
Change due to other actuarial assumptions	(244,215)	-	(3,699)	(247,914)
	183,987	1,665,544	6,528,986	8,378,517

	2007			
	Individual Insurance $'000	Group Insurance $'000	Group Annuities $'000	Total $'000
Change in assumed investment yields and inflation rate	321,695	-	(255,660)	66,035
Change due to the issuance of new policies and the decrements on in-force policies	299,414	220,253	667,909	1,187,576
Change due to other actuarial assumptions	(404,867)	57,056	57,742	(290,069)
	216,242	277,309	469,991	963,542

(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.

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36. Insurance Contracts Liabilities (Continued)

(e) Policy assumptions (continued)

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 1983 Individual Annuitant male and female basic mortality tables with projection scale G 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 0.9% and 4.3%.

(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 12% and 30% of insurance amounts issued. Lapse rates after 20 policy years are assumed to be between 3% and 8% of insurance amounts in force. Partial withdrawal rates average about 15% 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 5 years and declines over the life of the policies such that real returns after 30 years are between 0.9% and 4.3%.

(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		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Fair value -				
Segregated funds (unit-linked)	6,560,697	6,261,696	6,295,831	5,965,561
Amortised cost -				
Deposit Administration Funds	2,445,900	2,333,849	2,403,266	2,292,995
Amounts on deposit	6,204,093	2,185,347	1,786,958	1,637,821
Other investment contracts	241,683	816,252	199,285	775,398
	8,891,676	5,335,448	4,389,509	4,706,214
	15,452,373	11,597,144	10,685,340	10,671,775

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.

Movement of the Deposit Administration Funds:

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Balance at the beginning of the year	2,333,849	2,135,694	2,292,995	2,095,670
Deposits received	276,406	232,875	276,406	232,875
Interest earned	245,249	223,976	242,762	220,503
Service charges	(17,920)	(15,204)	(17,920)	(15,204)
Transfers to Pooled Investment Fund	270,213)	(26,415)	(270,213)	(26,415)
Withdrawals	(127,171)	(219,084)	(120,764)	(214,434)
Revaluation adjustment	5,700	2,007	-	-
	2,445,900	2,333,849	2,403,226	2,292,995

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 180 (2007 - 184) clients. The average interest rate paid during the year was 10.5% (2007 – 10.5%).

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38. Other Policy Liabilities

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Insurance benefits payable	3,235,241	1,948,580	1,238,153	1,108,785
Provision for unearned premiums	1,184,503	1,055,784	48,675	-
	4,419,744	3,004,364	1,286,828	1,108,785

39. Investment Contracts Benefits

Benefits from unit linked investment contracts without fixed terms amounting to $1,446,603,000 (2007 - $1,342,272,000) 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		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Group insurance -				
Group creditor life	457,325	359,796	430,232	343,346
Group health – single premiums	1,447,440	-	1,447,440	-
Group health	4,944,597	4,278,745	3,815,252	3,323,390
Group life	1,148,980	993,849	1,037,857	919,404
	7,998,342	5,632,390	6,730,781	4,586,140
Individual life	5,552,540	4,975,048	4,896,799	4,485,557
Individual annuities	-	33,516	-	-
Bulk annuities – single premiums	6,140,524	-	6,140,524	-
Annuities and pensions	806,059	835,042	806,059	835,042
Property and casualty	2,215,643	2,281,901	-	-
	22,713,108	13,757,897	18,574,163	9,906,739

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40. Premium Income (Continued)

(b) Reinsurance premiums by line of business:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Group insurance -				
Group creditor life	23,029	19,719		6,288
Group health	140,626	132,694	37,159	22,417
Group life	54,910	102,691	14,515	90,528
Other	8,708	4,373	8,708	4,373
	227,273	259,477	60,382	123,606
Individual life	228,010	276,804	128,606	191,435
Property and casualty	1,988,280	2,133,569	-	-
	2,443,563	2,669,850	188,988	315,041
Net Premiums	20,269,545	11,088,047	18,385,175	9,591,698

(c) Premiums by geography:

	The Group	
	2008	**2007**
	$'000	**$'000**
Jamaica	18,385,175	9,591,698
Grand Cayman	1,884,370	1,496,349
	20,269,545	11,088,047

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41. Investment Income

	Total Group		Total Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Interest income -				
Short term deposits	85,850	88,232	9,265	2,037
Corporate debentures	536,116	351,545	73,708	56,702
Investment securities	6,696,731	5,555,064	1,747,879	1,389,858
Loans	1,004,764	891,674	212,693	182,236
Policy loans	80,610	78,425	47,552	49,437
Government securities purchased under resale agreements	315,204	221,692	80,640	51,439
Other	11,408	10,852	18,685	19,723
	8,730,683	7,197,484	2,190,422	1,751,432
Dividends	82,766	27,377	361,507	267,842
Net foreign exchange income	1,313,077	247,808	885,451	81,747
Net gains on investment securities	404,254	595,306	105,047	159,169
Other investment income	64,323	68,531	55,976	55,426
	10,595,103	8,136,506	3,598,403	2,315,616

42. Impairment Charge

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Equity Investments [a]	223,388	-	103,784	-
Real Estate Mutual Fund [a]	19,187	-	-	-
Lehman Brothers Corporate Bonds - company in bankruptcy	32,310	-	-	-
	274,885	-	103,784	-

[a] At the year-end, the Group recognised an impairment charge against equity investments for which the fair values were 40% or more below the original cost.

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43. Interest Expense

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Customer deposits and repurchase liabilities	3,905,446	3,333,440	40,110	18,812
Due to banks and other financial institutions	136,303	126,691	9,149	9,958
Investment contracts	564,640	486,551	430,971	444,411
Other	202,577	55,429	19,459	12,538
	4,808,966	4,002,111	499,689	485,719

44. Fee Income

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Administration fees	833,992	839,600	574,512	754,834
Other				
Surrender charges	64,641	49,193	62,036	46,581
Wholesale banking fees	9,773	10,194	-	-
Credit related fees, net	59,113	48,202	9,389	12,549
Stockbrokerage fees	33,966	22,580	-	-
Treasury fees	7,111	2,425	-	-
Trust fees	34,914	39,936	-	-
Miscellaneous fees	26,432	8,694	4,320	3,746
	235,950	181,224	75,745	62,876
	1,069,942	1,020,824	650,257	817,710

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45. Insurance Benefits and Claims

	The Group				The Company			
	Year ended 31 December 2008			2007	Year ended 31 December 2008			2007
	Gross incurred	Reinsured	Net	Net Claims	Gross incurred	Reinsured	Net	Net Claims
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Death and disability	1,309,285	(94,220)	1,215,065	872,373	1,186,801	(50,053)	1,136,748	790,761
Maturities	22,355	-	22,355	19,087	16,608	-	16,608	6,145
Surrenders and withdrawals	714,296	-	714,296	586,732	556,301	-	556,301	470,673
Annuities and pensions	918,019	-	918,019	477,433	907,383	-	907,383	468,522
Policy dividends and bonuses	44,982	-	44,982	43,017	8,939	-	8,939	10,635
Health insurance	3,643,599	(7,798)	3,635,801	3,076,274	2,938,334	-	2,938,334	2,500,616
Property and casualty insurance	1,909,987	(1,737,558)	172,429	66,389	-	-	-	-
Other benefits	200,200	(8,888)	191,312	136,275	185,489	(8,888)	176,601	111,293
	8,762,723	(1,848,464)	6,914,259	5,277,580	5,799,855	(58,941)	5,740,914	4,358,645

46. Finance Costs

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

47. Administration Expenses

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Auditors' remuneration -				
Current year	51,497	41,645	19,550	17,000
Prior year	1,974	1,667	700	1,667
Office accommodation	467,977	369,324	288,087	229,675
Communication and technology	385,729	308,600	283,825	208,290
Advertising and branding	240,179	177,412	144,456	128,746
Sales convention and incentives	120,264	91,041	118,308	91,041
Postage, printing and office supplies	117,753	163,702	84,032	57,211
Policy stamp duties and reimbursements	19,900	18,149	15,775	13,348
Regulators fees	98,107	83,905	57,292	55,844
Other expenses	408,149	216,790	101,711	75,137
	1,911,529	1,472,235	1,113,736	877,959

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48. Salaries, Pension Contributions and Other Staff Benefits

(a) Employees

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Wages and salaries	2,167,875	1,751,633	1,237,804	1,055,828
Payroll taxes	173,318	147,547	120,908	98,209
Pension costs (Note 15)	106,402	117,705	51,765	138,645
Other post retirement benefits (Note 15)	165,859	(7,179)	150,700	(10,089)
Stock option expense (Note 25)	29,208	28,373	21,951	18,615
Other	221,505	174,592	77,664	89,753
	2,864,167	2,212,671	1,660,792	1,390,961

	The Group		The Company	
	2008	2007	2008	2007
	No.	No.	No.	No.
Number of employees at year end -				
Full - time administrative	916	738	622	488
Part - time administrative	123	90	82	67
	1,039	828	704	555

(b) Contractors – sales agents

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Commissions and bonuses	2,227,600	2,031,833	1,769,091	1,663,178
	No.	No.	No.	No.
Number of insurance sales agents at year end	480	466	399	406

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49. Taxation

(a) Tax is computed as follows:

	The Group		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current year taxation -				
Premium tax @ 3%	242,900	216,259	242,900	216,259
Investment income tax @ 15%	244,607	145,813	244,607	145,813
Income tax at 33 ⅓%	472,661	449,259	-	-
	960,168	811,331	487,507	362,072
Deferred income tax (Note 18) - Deferred tax charge relating to the origination and reversal of temporary differences	79,859	80,111	96,053	65,536
	1,040,027	891,442	583,560	427,608

(i) Premium tax charges for the company include tax on deposits relating to the segregated funds totalling $1,730,772,000 (2007 - $1,409,488,000). The income from these funds is not included in the financial statements of the company. The company recovers these charges through premium income charged to the funds for the provision of life insurance coverage.

(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.

(iv) Subject to the agreement of the Taxpayer Audit and Assessment Department, losses of one of the company's subsidiaries, Sagicor Property Services Limited, available for set off against future taxable profits amount to approximately $1,194,000 (2007 - $19,423,000).

(v) Income tax at 33⅓% is payable on taxable profits of Sagicor Property Services Limited and Pan Caribbean Financial Services Limited.

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49. Taxation (Continued)

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

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Premium tax -				
Gross premium income	22,713,108	13,757,897	18,574,163	9,906,739
Tax at 3%	681,393	412,737	557,225	297,202
Adjusted for:				
Income not subject to tax	(490,417)	(239,435)	(366,248)	(123,900)
Premium income relating segregated funds	51,924	42,285	51,923	42,285
Reinsurance premium not deductible	-	672	-	672
	242,900	216,259	242,900	216,259
Investment income tax -				
Gross investment income	10,595,103	8,136,506	3,598,403	2,315,616
Tax at 15%	1,589,265	1,220,476	539,760	347,342
Adjusted for:				
Deductible expenses	(199,454)	(34,606)	(199,454)	(34,606)
Income not subject to tax	(144,419)	(180,505)	(144,419)	(180,505)
Net investment income not subject to investment tax	(1,049,505)	(873,134)	-	-
Expenses not deductible for tax purposes	51,315	26,204	51,315	26,204
Net effect of other charges and allowances	93,458	52,914	93,458	52,914
	340,660	211,349	340,660	211,349
Income tax -				
Profit before taxation	5,582,278	4,312,526	-	-
Tax at 33⅓%	1,860,759	1,437,509	-	-
Adjusted for:				
Premium and investment income not subject to income tax	(1,405,652)	(877,262)	-	-
Income not subject to tax	-	(96,617)	-	-
Adjustment for tax losses	(4,259)	(4,457)	-	-
Net effect of other charges and allowances	5,619	4,661	-	-
	456,467	463,834	-	-
Tax expense	1,040,027	891,442	583,560	427,608

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50. Earnings per Stock Unit

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.

	2008	2007
	$'000	$'000
Net profit attributable to stockholders	3,928,094	2,956,775
Weighted average number of ordinary stock units in issue ('000)	3,749,907	3,742,337
Basic earnings per stock unit	$1.05	$0.79

The diluted earnings per stock unit are 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) The Group established an Employee Share Ownership Plan for which 2% of the company's authorised share capital has been allocated.

(b) Effective 1 May 2003, the Group instituted a share based plan for executives. Shares amounting to 150,000,000 or 5% of the authorised share capital have been set aside for this plan.

	2008	2007
	$'000	$'000
Net profit attributable to stockholders	3,928,094	2,956,775
Weighted average number of ordinary stock units in issue ('000)	3,749,907	3,742,337
Adjusted for -		
Share option and share based plans ('000)	3,333	3,333
Weighted average number of ordinary stock units for diluted earnings per stock unit ('000)	3,753,240	3,745,670
Fully diluted earnings per stock unit	$1.05	$0.79

51. 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 balance sheet 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.

(iii) The fair value of interest rate swaps 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 at the balance sheet date. The fair value of the equity indexed options is based on quoted prices.

(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 balance sheet 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.

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.

52. 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 established a risk management framework with clear terms of reference from the Board of Directors, its committees and the associated Executive Management committees. 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:

- 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.

52. 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 asset 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 the required report 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.

52. 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 balance sheet 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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52. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(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 52 (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 Note 36).

	The Group			
Individual Life Benefits Assured per Life ('000)	Total Benefits Insured			
2008	Before Reinsurance $'000	%	After Reinsurance $'000	%
0 - 200	78,323,289	14%	65,880,817	14%
200 - 400	61,129,221	11%	47,156,909	10%
400 - 800	54,560,884	10%	46,773,697	10%
800 - 1000	49,273,034	9%	44,543,457	10%
More than 1,000	288,844,431	52%	249,466,855	54%
Unknown	19,507,090	4%	10,974,550	2%
Total	551,637,949	100%	464,796,285	100%

Individual Life Benefits Assured per Life ('000)	Total Benefits Insured			
2007	Before Reinsurance $'000	%	After Reinsurance $'000	%
0 - 200	10,076,227	2%	10,016,169	3%
200 - 400	90,831,226	19%	75,026,825	19%
400 - 800	71,777,509	15%	54,744,627	14%
800 - 1000	46,127,203	10%	37,641,623	10%
More than 1,000	257,951,895	54%	216,764,576	54%
Total	476,764,060	100%	394,193,820	100%

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52. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

Individual Life Benefits Assured per Life ('000)	The Company – Total Benefits Insured			
2008	Before Reinsurance $'000	%	After Reinsurance $'000	%
0 - 200	10,975,241	3%	10,915,865	3%
200 - 400	15,427,277	4%	15,407,550	4%
400 - 800	37,307,186	9%	36,853,107	11%
800 - 1000	46,288,018	12%	43,282,818	12%
More than 1,000	284,582,075	72%	248,333,128	70%
Total	394,579,797	100%	354,792,468	100%

Individual Life Benefits Assured per Life ('000)	Total Benefits Insured			
2007	Before Reinsurance $'000	%	After Reinsurance $'000	%
0 - 200	10,076,227	3%	10,016,169	3%
200 - 400	12,994,558	4%	12,974,344	4%
400 - 800	29,025,748	9%	28,704,779	10%
800 - 1000	32,245,709	9%	30,994,481	11%
More than 1,000	255,392,185	75%	215,741,942	72%
Total	339,734,427	100%	298,431,715	100%

(i) Frequency and severity of claims

The table below represents the company's concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figured are shown gross and net of reinsurance.

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52. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

The Group

Group Life Benefits Assured per Life ('000) 2008	Total Benefits Insured Before Reinsurance $'000	%	After Reinsurance $'000	%
0 - 200	19,246,662	6%	16,842,405	6%
200 - 400	13,912,306	5%	11,555,924	4%
400 - 800	27,227,767	9%	26,398,017	9%
800 - 1,000	18,037,266	6%	18,037,266	6%
More than 1,000	222,719,564	74%	222,457,738	75%
	301,143,565	100%	295,291,350	100%

Group Life Benefits Assured per Life ('000) 2007	Total Benefits Insured Before Reinsurance $'000	%	After Reinsurance $'000	%
0 - 200	17,494,052	6%	15,358,639	6%
200 - 400	8,575,728	3%	6,708,264	3%
400 - 800	11,497,669	4%	10,961,470	5%
800 - 1,000	11,705,906	4%	11,705,906	5%
More than 1,000	222,630,943	83%	191,996,527	81%
	271,904,298	100%	236,730,806	100%

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52. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

The Company

Group Life Benefits Assured per Life ('000) 2008	Total Benefits Insured Before Reinsurance $'000	%	After Reinsurance $'000	%
0 - 200	2,001,778	1%	2,001,778	1%
200 - 400	11,160,727	4%	11,160,727	4%
400 - 800	26,390,610	9%	26,390,610	9%
800 - 1,000	18,037,266	6%	18,037,266	6%
More than 1,000	222,719,563	80%	222,457,736	80%
	280,309,944	100%	280,048,117	100%

Group Life Benefits Assured per Life ('000) 2007	Total Benefits Insured Before Reinsurance $'000	%	After Reinsurance $'000	%
0 - 200	1,780,547	1%	1,780,547	1%
200 - 400	5,938,178	2%	5,938,178	3%
400 - 800	10,833,122	4%	10,833,122	5%
800 - 1,000	11,705,906	5%	11,705,906	5%
More than 1,000	222,630,943	88%	191,996,527	86%
	252,888,696	100%	222,254,280	100%

52. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term 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**	
2008	**$'000**	**%**
0 - 20	14,730	2%
20 - 40	20,718	3%
40 - 80	49,117	6%
80 - 100	22,160	3%
More than 100	709,740	86%
Total	816,465	100%

Annuity Payable per annum per annuitant ('000)	**Total Benefits Insured**	
2007	**$'000**	**%**
0 - 20	9,544	2%
20 - 40	21,173	4%
40 - 80	54,678	11%
80 - 100	21,626	4%
More than 100	387,820	79%
Total	494,841	100%

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52. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

	The Company	
Annuity Payable per annum per annuitant	**Total Benefits Insured**	
('000) 2008	**$'000**	**%**
0 - 20	9,087	1%
20 - 40	12,991	2%
40 - 80	49,117	6%
80 - 100	22,160	3%
More than 100	709,741	88%
Total	803,096	100%

Annuity Payable per annum per annuitant	**Total Benefits Insured**	
('000) 2007	**$'000**	**%**
0 - 20	9,544	2%
20 - 40	14,005	3%
40 - 80	46,403	10%
80 - 100	21,626	5%
More than 100	387,821	80%
Total	479,399	100%

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.

52. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term contracts (continued)

(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.

(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 for detail policy assumptions.

52. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

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 52 (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.

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 52 (b) for retention limits.

52. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Short-duration life and health insurance contracts (continued)

(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 36(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

(i) Casualty insurance risks
Casualty risks are comprised principally of motor vehicle physical damage and personal liability.

The Group manages these risks by way of a conservative underwriting strategy, adequate reinsurance arrangements and proactive claims management. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies and it has the right to reject the payment of a fraudulent claim. The Group will, where necessary, appoint lawyers to act on the Group's behalf in respect of serious bodily injury claims, thus ensuring prompt settlements and avoiding claims development. However, the severity of claims can be affected by increasing level of court awards and inflation.

(ii) Property insurance risks
These policies are underwritten by reference to the commercial replacement value of the properties and contents insured. Claim payment limits are always included to cap the amount payable on occurrence of the insured event. The costs 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 windstorm or sea inundation damage.

The Group has reinsurance cover for such damage to limit losses, which are outline in Note 52 (b).

For property insurance contracts, climatic changes give rise to more frequent and severe extreme weather events, such as hurricanes, which may result in motor and property claims.

The Group has a dedicated in-house department and also uses third party adjusters as necessary. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

52. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Short-duration property and casualty insurance contracts (continued)

The Group cedes reinsurance to other companies to minimise its exposures arising from large risks or from hazards of an unusual or catastrophic nature. Reinsurance arrangements include quota share, facultative, excess and catastrophic coverage. The effect of such reinsurance arrangements is that the Group should not suffer total net insurance losses from any one catastrophic event of more that CI$1,200,000 in any one year and from any single liability claim of more that CI$200,000.

In the event that the Group's reinsurers were unable to meet their obligations under the reinsurance agreements in place, the Group would still be liable to pay all claims made under the insurance policies it issues, but would only receive reimbursement to the extent that the reinsurers could meet their above mentioned obligations.

For the Group's property and casualty insurance contracts, significant risk exposures arise from low frequency high severity events such as hurricanes. Single events, such as flooding and fires may also generate significant claims.

(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 quota share and excess of loss catastrophe reinsurance treaties to obtain reinsurance cover. Catastrophe reinsurance is obtained for multiple claims arising from one event or occurring within a specified time period. However, treaty limits may apply and may expose the insurer to further claim exposure. Under some treaties, when treaty limits are reached, the insurer may be required to pay an additional premium to reinstate the reinsurance coverage.

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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52. 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
Property and casualty insurance	
Property risks	• maximum retention of CI$150,000 for single event; • maximum retention of CI$1,000,000 (2007 - CI$1,000,000) for catastrophic event.
Motor and liability risks	• maximum retention of CI$200,000 for single event; • treaty limits apply.
Miscellaneous accident risks	• maximum retention of CI$75,000 for a single event; • treaty limits apply.
Engineering business risks	• maximum retention of CI$75,000; • treaty limits apply for material damage and for liability claims.
Property, motor, liability and engineering risk	• catastrophic excess of loss reinsurance cover is available per event for amounts in excess of treaty limits; • treaty limits apply to catastrophic excess of loss coverage.
Health insurance contracts with individuals	Retention per individual to a maximum of CI$166,667.
Health insurance contracts with groups	Retention per individual to a maximum of CI$166,667 and J$1,000,000.
Life insurance contracts with individuals	Retention per individual to a maximum of J$35,000,000 (2007 – J$35,000,000).
Life insurance contracts with groups	Retention per individual to a maximum of J$35,000,000 (2007 – J$35,000,000).

52. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk

Cash flow risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The 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 32 (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.

(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.

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52. 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 (continued)
A decrease of 10% in the value of the assets would reduce the asset management fees to $106,414,000 per annum (2007 - $90,688,000).

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 balance sheet assets, liabilities and equity in order to arrive at the Group's and the company's interest rate gap based on earlier of contractual repricing or maturity dates.

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52. Insurance and Financial Risk Management (Continued)

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

	The Group						
	2008						
	Immediately Rate Sensitive	Within 3 moths	3-12 months	1-5 years	Over 5 years	Non-Interest bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Cash resources	3,583,142	-	-	-	-	722	3,583,864
Financial investments	1,663,280	31,395,683	9,781,496	5,482,447	23,362,833	3,702,604	75,388,343
Securities purchased under resale agreements	-	4,429,905	-	-	-	18,153	4,448,058
Investment properties	-	-	-	-	-	326,175	326,175
Derivative financial instruments	-	-	299,230	-	-	2,658,076	2,957,306
Investment in associated company	-	-	-	-	-	2,725	2,725
Loans & leases, after allowance for impairment losses	-	1,620,895	1,979,209	2,989,135	1,797,339	60,114	8,446,692
Taxation Recoverable	-	-	-	-	-	700,333	700,333
Cash Reserve at Bank of Jamaica	182,062	-	-	-	-	-	182,062
Reinsurance contracts	-	-	-	-	-	2,574,249	2,574,249
Other assets	-	-	-	-	-	4,665,384	4,665,384
Property, plant and equipment	-	-	-	-	-	1,821,064	1,821,064
Deferred income taxes	-	-	-	-	-	636,485	636,485
Intangible assets	-	-	-	-	-	5,291,788	5,291,788
Retirement benefit assets	-	-	-	-	-	206,190	206,190
Segregated funds' assets	21,387	2,418,727	273,253	228,295	1,371,695	2,247,340	6,560,697
Total assets	5,449,871	39,865,210	12,333,188	8,699,877	26,531,867	24,911,402	117,791,415

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52. Insurance and Financial Risk Management (Continued)

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

	The Group						
	2008						
	Immediately Rate Sensitive	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-Interest bearing	Total
Liabilities	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Securities sold under repurchase agreements	-	37,144,429	1,601,832	487,339	-	723,553	39,957,153
Due to banks and other financial institutions	219,619	1,314,608	2,528,542	1,020,246	720,422	84,840	5,888,277
Customer deposits	-	2,133,402	3,354,104	658,449	1,152,400	121,634	7,419,989
Structured products	-	-	-	1,087,540	-	-	1,087,540
Derivative financial instruments	-	-	-	-	-	2,703,316	2,703,316
Redeemable preference shares	-	-	-	1,264,324	-	6,866	1,271,190
Other liabilities	-	-	-	-	-	3,363,695	3,363,695
Provision	-	-	-	-	-	218,402	218,402
Taxation payable	-	-	-	-	-	153,763	153,763
Deferred income taxes	-	-	-	-	-	418,647	418,647
Retirement benefit obligations	-	-	-	-	-	430,422	430,422
Segregated funds' liabilities	-	50,769	195,513	472,326	5,842,089	-	6,560,697
Insurance contracts liabilities	-	205,299	626,041	3,274,877	9,389,457	1,922,349	15,418,023
Investment contracts liabilities	-	4,983,231	3,708,184	200,261	-	-	8,891,676
Other policy liabilities	-	247,105	285	616	269,556	3,902,182	4,419,744
Total liabilities	219,619	46,078,843	12,014,501	8,465,978	17,373,924	14,049,669	98,202,534
On Balance Sheet interest sensitivity gap	5,230,252	(6,213,633)	318,687	233,899	9,157,943	10,861,733	19,588,881
Cumulative interest sensitivity gap	5,230,252	(983,381)	664,694	430,795	8,727,148	19,588,881	

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52. Insurance and Financial Risk Management (Continued)

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

	The Group						
	2007						
	Immediately Rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-interest bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Cash resources	1,892,707	-	-	-	-	17,954	1,910,661
Financial investments	631,068	29,994,985	8,060,252	2,462,289	15,240,415	2,621,075	59,010,084
Securities purchased under resale agreements	-	1,103,790	-	-	-	-	1,103,790
Investment properties	-	-	-	-	-	264,084	264,084
Associated company	-	-	-	-	-	2,725	2,725
Loans & leases, after allowance for impairment losses	-	1,779,989	2,133,165	1,616,157	1,584,150	53,782	7,167,243
Taxation recoverable	-	-	-	-	-	565,824	565,824
Cash reserve at Bank of Jamaica	95,848	-	-	-	-	-	95,848
Reinsurance contracts	-	-	-	-	-	1,341,326	1,341,326
Other assets	-	-	-	-	-	3,035,488	3,035,488
Property, plant & equipment	-	-	-	-	-	1,230,028	1,230,028
Deferred income taxes	-	-	-	-	-	46,422	46,422
Intangible assets	-	-	-	-	-	4,984,967	4,984,967
Retirement benefit assets	-	-	-	-	-	49,544	49,544
Segregated funds' assets	6,459	1,372,575	329,012	224,973	1,358,507	2,970,170	6,261,696
Total assets	2,626,082	34,251,339	10,522,429	4,303,419	18,183,072	17,183,389	87,069,730

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52. Insurance and Financial Risk Management (Continued)

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

	The Group						
	2007						
	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-interest bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Liabilities							
Securities sold under repurchase agreements	-	29,958,177	4,041,572	20,753	-	-	34,020,502
Customer deposits	-	1,899,428	2,323,328	152,904	1,026,441	-	5,402,101
Other liabilities	-	-	-	-	-	2,411,338	2,411,338
Provisions	-	-	-	-	-	81,181	81,181
Due to banks and other financial institutions	218,580	192,664	1,198,188	826,826	1,289,827	-	3,726,085
Taxation payable	-	-	-	-	-	107,400	107,400
Deferred income taxes	-	-	-	-	-	216,139	216,139
Retirement benefit obligations	-	-	-	-	-	308,447	308,447
Segregated funds' liabilities	-	72,854	181,163	481,733	5,525,946	-	6,261,696
Insurance contracts	-	125,649	371,626	1,919,358	2,355,425	1,518,993	6,291,051
Investment contracts	-	4,565,716	578,899	190,833	-	-	5,335,448
Other policy liabilities	-	225,866	261	572	247,188	2,530,477	3,004,364
Total liabilities	218,580	37,040,354	8,695,037	3,592,979	10,444,827	7,173,975	67,165,752
On balance sheet interest sensitivity gap	2,407,502	(2,789,015)	1,827,392	710,440	7,738,245	10,009,414	19,903,978
Cumulative interest sensitivity gap	2,407,502	(381,513)	1,445,879	2,156,319	9,894,564	19,903,978	

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52. Insurance and Financial Risk Management (Continued)

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

	The Company						
	2008						
	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	269,271	-	-	-	-	108	269,379
Financial investments	824,673	2,784,829	790,419	1,782,829	15,046,119	1,693,441	22,922,310
Securities purchased under resale agreements	-	1,387,111	-	-	-	5,466	1,392,577
Investment properties	-	-	-	-	-	326,175	326,175
Investment in associated company	-	-	-	-	-	2,725	2,725
Investments in subsidiaries	-	-	-	-	-	5,129,499	5,129,499
Lease receivables	-	1,777	2,152	159	-	731	4,819
Taxation recoverable	-	-	-	-	-	415,036	415,036
Reinsurance contracts	-	-	-	-	-	57,848	57,848
Other assets	-	-	-	-	-	2,941,025	2,941,025
Property, plant and equipment	-	-	-	-	-	1,254,883	1,254,883
Deferred income taxes	-	-	-	-	-	36,674	36,674
Intangible assets	-	-	-	-	-	2,607,774	2,607,774
Retirement benefit assets	-	-	-	-	-	184,482	184,482
Segregated funds' assets	21,387	2,361,506	265,435	228,295	1,245,073	2,174,135	6,295,831
Total assets	1,115,331	6,535,223	1,058,006	2,011,283	16,291,192	16,830,002	43,841,037
Liabilities							-
Other liabilities	-	-	-	-	-	1,911,500	1,911,500
Due to banks and other financial institutions	-	1,051,360	9,457	55,688	377,130	-	1,493,635
Provision	-	-	-	-	-	218,402	218,402
Taxation payable	-	-	-	-	-	96,816	96,816
Deferred income taxes	-	-	-	-	-	267,606	267,606
Retirement benefit obligations	-	-	-	-	-	397,849	397,849
Segregated funds' liabilities	-	50,769	195,513	472,326	5,577,223	-	6,295,831
Insurance contracts liabilities	-	202,271	603,660	3,171,960	8,160,588	1,641,442	13,779,921
Investment contracts liabilities	-	1,291,911	377,181	2,720,417	-	-	4,389,509
Other policy liabilities	-	21	285	616	269,556	1,016,350	1,286,828
Total liabilities	-	2,596,332	1,186,096	6,421,007	14,384,497	5,549,965	30,137,897
On Balance Sheet interest sensitivity gap	1,115,331	3,938,891	(128,090)	(4,409,724)	1,906,695	11,280,037	13,703,140
Cumulative interest sensitivity gap	1,115,331	5,054,222	4,926,132	516,408	2,423,103	13,703,140	

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52. Insurance and Financial Risk Management (Continued)

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

	The Company						
	2007						
	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-interest bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Cash and bank	489,776	-	-	-	-	125	489,901
Financial Investments	-	2,040,648	864,750	768,636	10,974,928	1,024,232	15,673,194
Securities purchased under resale agreements	-	659,248	-	-	-	-	659,248
Investment properties	-	-	-	-	-	264,084	264,084
Investments in subsidiaries	-	-	-	-	-	5,054,847	5,054,847
Investment in associate	-	-	-	-	-	2,725	2,725
Lease receivables	-	3,223	2,533	2,922	-	863	9,541
Taxation recoverable	-	-	-	-	-	320,452	320,452
Reinsurance contracts	-	-	-	-	-	57,720	57,720
Other assets	-	-	-	-	-	2,133,885	2,133,885
Property, plant & equipment	-	-	-	-	-	781,061	781,061
Deferred income taxes	-	-	-	-	-	30,997	30,997
Intangible assets	-	-	-	-	-	2,321,275	2,321,275
Segregated funds' assets	6,459	1,366,850	329,012	224,973	1,144,482	2,893,785	5,965,561
Total assets	496,235	4,069,969	1,196,295	996,531	12,119,410	14,886,051	33,764,491
Liabilities							
Other liabilities	-	-	-	-	-	1,302,719	1,302,719
Provisions	-	-	-	-	-	81,181	81,181
Due to banks and other financial institutions	152,124	351,435	494,575	42,635	291,660	-	1,332,429
Taxation payable	-	-	-	-	-	47,626	47,626
Deferred income taxes	-	-	-	-	-	104,478	104,478
Retirement benefit obligations	-	-	-	-	-	291,033	291,033
Segregated funds' liabilities	-	72,854	181,163	481,733	5,229,811	-	5,965,561
Insurance contracts	-	121,140	359,953	1,852,128	1,507,233	1,406,209	5,246,663
Investment contracts	-	4,346,571	168,717	190,926	-	-	4,706,214
Other policy liabilities	-	-	-	-	251363	857,422	1,108,785
Total liabilities	152,124	4,892,000	1,204,408	2,567,422	7,280,067	4,090,668	20,186,689
On balance sheet interest sensitivity gap	344,111	(822,031)	(8,113)	(1,570,891)	4,830,343	10,795,383	13,577,802
Cumulative interest sensitivity gap	344,111	(477,920)	(486,033)	(2,056,924)	2,782,419	13,577,802	

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52. 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					
	2008					
	Immediatel rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Weighted Average
	%	%	%	%	%	%
Cash resources	1.82	-	-	-	-	1.82
Securities sold under agreements to repurchase	-	10.52	7.82	8.76	6.56	8.42
Investments (1)	-	11.42	15.66	10.75	10.63	11.13
Loans	-	11.65	13.11	12.04	12.80	12.39
Mortgages (2)	-	11.59	11.59	11.59	11.59	11.59
Policy loans	-	-	-	-	12.82	12.82
Investment contracts	-	10.48	10.48	10.48	10.48	10.48
Bank overdraft	23.65	-	-	-	-	23.65
Deposits	4.89	14.41	11.77	6.00	8.25	8.70
Amounts due to banks and other financial institutions	4.56	6.28	6.95	7.37	5.83	6.69
	2007					
	Immediatel rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Weighted Average
	%	%	%	%	%	%
Cash resources	2.79	-	-	-	-	2.79
Securities sold under agreements to repurchase	-	9.10	9.14	7.78	7.66	8.83
Investments (1)	-	11.36	12.44	12.52	11.75	11.41
Loans	-	12.90	12.47	12.50	11.44	12,54
Mortgages (2)	-	11.29	11.29	11.29	11.29	11.29
Policy loans	-	-	-	-	13.20	13.20
Investment contracts	-	9.72	9.72	9.72	9.72	9.72
Bank overdraft	26.75	-	-	-	-	26.75
Deposits	-	8.01	8.55	9.20	8.93	8.66
Amounts due to banks and other financial institutions	9.21	7.61	8.18	7.86	5.23	7.02

(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.

52. 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 53.

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-balance sheet 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 balance sheet.

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 52 (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

52. Insurance and Financial Risk Management (Continued)

(d) Credit risk (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. At the balance sheet 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 balance sheet 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 securities.

The Group also obtains guarantees from parent companies for loans to their subsidiaries.

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

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52. Insurance and Financial Risk Management (Continued)

(d) **Credit risk (continued)**

Impairment

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 balance-sheet 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.

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 balance sheet 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 (eg 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.

The impairment provision shown in the balance sheet 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:

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52. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

	The Group			
	2008		2007	
	Loans and leases	Impairment provision	Loans and leases	Impairment provision
	$'000	$'000	$'000	$'000
Standard	8,323,283	-	7,041,771	-
Potential Problem Credit	52,031	-	61,092	-
Sub-Standard	31,695	9,316	8,809	1,240
Doubtful	-	-	-	-
Loss	154,861	105,862	163,883	107,072
	8,561,870	115,178	7,275,555	108,312

	The Company			
	2008		2007	
	Loans and leases	Impairment provision	Loans and leases	Impairment provision
	$'000	$'000	$'000	$'000
Standard	3,346	-	7,810	-
Potential Problem Credit	1,473	-	1,731	-
Sub-Standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
	4,819	-	9,541	-

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52. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

	Maximum exposure			
	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Credit risk exposures relating to on-balance sheet are as follows:				
Cash and balances due from other financial institutions (excluding cash on hand)	5,574,984	2,670,276	1,214,311	517,524
Trading securities	320,840	1,503,840	-	-
Securities purchased under agreements to resell	4,448,057	1,103,790	1,392,577	659,248
Investment securities	76,215,505	56,824,523	21,977,236	15,645,446
Loans, net of provision for credit losses	8,371,067	7,118,412	-	-
Lease receivables	75,625	48,831	4,819	9,541
Other assets	4,665,384	3,035,488	2,925,712	2,133,885
	99,671,462	72,305,160	27,514,655	18,965,644
Credit risk exposures relating to off-balance sheet items are as follows:				
Loan commitments	1,053,969	583,564	88,554	156,030
Guarantees and letters of credit	926,601	565,647	-	-
	1,980,570	1,149,211	88,554	156,030

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

The above table represents a worst case scenario of credit risk exposure to the Group and company at 31 December 2008 and 2007, 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 balance sheet.

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52. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

(iii) Credit quality of loans and leases are summarized as follows:

Loans and leases

	The Group	
	2008	**2007**
	$'000	**$'000**
Neither past due nor impaired -		
Standard	6,506,987	4,949,205
Potential problem credit	-	-
Sub-Standard	-	-
Doubtful	-	-
Loss	-	-
Past due but not impaired	1,922,812	2,156,865
Impaired	132,071	169,485
Gross	8,561,870	7,275,555
Less: provision for credit losses	(115,178)	(108,312)
Net	8,446,692	7,167,243

The majority of past due loans are not considered impaired.

Aging analysis of past due but not impaired loans and leases:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Less than 30 days	1,129,792	1,645,682	-	95
31 to 60 days	713,257	479,003	-	-
61 to 90 days	78,290	30,544	-	-
More than 90 days	1,473	1,636	1,473	1,636
	1,922,812	2,156,865	1,473	1,731

52. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loans and leases (continued)

(iv) Aging analysis of past due but not impaired loans and leases (continued)

Financial assets other than loans and leases that are past due but not impaired are mortgage loans up to three months of $ $24,721,000 (2007 - $25,904,000).

Of the aggregate amount of gross past due but not impaired loans and leases, the fair value of collateral that the Group and company held was $7,489,587,000 (2007 - $5,424,036,000) and $521,757,000 (2007 - $392,150,000) respectively.

(v) 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		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Loans and leases	182,071	169,485	-	-
Mortgage loans	112,543	109,969	88,451	54,103

The fair value of collateral that the Group and company held as security for individually impaired loans was $574,903,000 (2007 - $476,610,000) and $145,431,000 (2007 - $90,768,000) respectively.

There are no financial assets other than those listed above that were individually impaired.

(vi) 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 judgment 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 Group's and company's renegotiated loans that would otherwise be past due or impaired totaled $16,539,000 (2007 - $26,055,000) and $nil (2007 - $nil) respectively.

52. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loans and leases (continued)

(vii) Repossessed collateral

The Group and the company 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 and the company do not occupy repossessed properties for business use.

The Group and the Company have no repossessed collateral.

The following table summarises the credit exposure of the Group to businesses and government by sectors in respect of investments and cash:

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Government of Jamaica	54,038,540	48,401,314	16,325,546	12,007,687
Foreign government	1,196,527	417,018	259,196	-
Corporate	14,139,438	4,153,268	691,703	455,604
Financial institutions	5,451,723	3,185,532	1,214,453	1,078,127
Corporate equities	1,898,828	923,406	1,224,605	155,429
Mortgages	1,974,723	1,763,659	1,935,584	1,718,378
Policy loans	729,304	660,065	334,793	357,671
Promissory notes	758,553	96,890	758,553	96,890
Other	-	305	-	305
	80,187,636	59,601,457	22,744,433	15,870,091
Interest receivable	1,741,877	1,319,288	447,256	293,004
	81,929,513	60,920,745	23,191,689	16,163,095

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52. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

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.

The Group's exposures to individual counterparty credit risks exceeding 2.5% of exposures by class are set out below:

	The Group		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Debt securities:				
Government of Jamaica debt securities denominated in JMD	31,992,951	28,900,878	8,643,587	8,406,882
Government of Jamaica debt securities denominated in USD	23,647,939	19,494,943	8,086,856	3,604,086
Deposits and Cash:				
Bank of America	1,050,343	491,387	-	-
Citibank NA	415,189	285,865	-	-
National Commercial Bank Jamaica Limited	258,627	265,466	258,627	265,466
Bank of Nova Scotia Jamaica Limited	553,791	155,963	67,252	17,906
Reinsurance Assets:				
Swiss Re - rated A+ (superior) by A.M Best	426,185	345,486	33,396	37,061
Munich Re - rated A+ (superior) by A.M Best	303,929	390,777	18,037	19,402
Everest Re - rated A+ (superior) by A.M Best	122,058	122,490	-	-

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.

52. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

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.

52. 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.

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;

(iv) Optimising cash returns on investment;

(v) Monitoring balance sheet 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.

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52. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

Financial liabilities cash flows

The tables below present the undiscounted cash flows payable (both interest and principal cash flows) of the Group's and company's financial liabilities based on contractual repayment obligations. The Group expects that many policholders/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 to 12 Months	1 to 5 Years	Over 5 Years	No specific maturity	Total
Undiscounted Financial	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Liabilities - 31 December 2008						
Securities Sold under Repurchase Agreements	36,607,488	3,857,081	120,179	-	-	40,584,748
Due to Banks and other Financial Institutions	781,302	3,111,692	1,193,241	1,548,350	-	6,634,585
Customer Deposits	2,270,341	3,442,465	1,098,128	1,058,201	-	7,869,135
Structured products	-	-	1,122,784	186,710	-	1,309,494
Derivative financial instruments	2,635,231	-	22,468	45,617	-	2,703,316
Redeemable Preference Shares	39,510	118,530	2,061,392	-	-	2,219,432
Other Liabilities	3,209,331	508,389	-	500,874	259,529	4,478,123
Segregated funds' liabilities	50,769	195,513	472,326	5,842,089	-	6,560,697
Insurance contracts liabilities	205,299	626,041	3,274,877	11,311,806	-	15,418,023
Investment contracts liabilities	5,026,747	3,753,093	207,345	-	-	8,987,185
Other policy liabilities	247,105	3,902,467	616	269,556	-	4,419,744
Total undiscounted liabilities	51,073,123	19,515,271	9,573,356	20,763,203	259,529	101,184,482
Undiscounted Financial Liabilities - 31 December 2007						
Securities sold under repurchase agreements	30,265,837	4,174,500	25,203	-	-	34,465,540
Customer deposits	1,913,160	2,377,361	578,168	829,131	-	5,697,820
Other liabilities	2,186,967	164,362	-	-	60,009	2,411,338
Due to banks and other financial institutions	426,166	1,242,192	1,054,793	2,599,329	-	5,322,480
Segregated funds' liabilities	72,854	181,163	481,733	5,525,946	-	6,261,696
Insurance contracts	125,649	371,626	1,919,358	3,874,418	-	6,291,051
Investment contracts	5,065,835	585,690	190,990	-	-	5,842,515
Other policy liabilities	226,127	2,530,477	572	247,188	-	3,004,364
Total undiscounted financial liabilities	40,282,595	11,627,371	4,250,817	13,076,012	60,009	69,296,804

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52. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	The Company					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No specific maturity	Total
Undiscounted Financial Liabilities - 31 December 2008	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Other Liabilities	1,716,849	-	-	-	194,651	1,911,500
Due to banks and other financial institutions	316,715	773,739	144,162	627,255	-	1,861,871
Segregated funds' liabilities	50,769	195,513	472,326	5,577,223	-	6,295,831
Insurance contracts liabilities	202,271	603,661	3,171,960	9,802,029	-	13,779,921
Investment contracts liabilities	4,113,921	115,456	207,345	-	-	4,436,722
Other policy liabilities	21	1,016,635	616	269,556	-	1,286,828
Total undiscounted liabilities	6,400,546	2,705,004	3,996,409	16,276,063	194,651	29,572,673
Undiscounted Financial Liabilities - 31 December 2007						
Other Liabilities	1,242,710	-	-	-	60,009	1,302,719
Due to banks and other financial institutions	158,234	503,110	76,490	421,834	-	1,159,668
Segregated funds' liabilities	72,854	181,163	481,733	5,229,811	-	5,965,561
Insurance contracts liabilities	121,140	359,953	1,852,128	2,913,442	-	5,246,663
Investment contracts liabilities	4,624,078	170,382	191,018	-	-	4,985,478
Other policy liabilities	-	857,422	-	251,363	-	1,108,785
Total undiscounted liabilities	6,219,016	2,072,030	2,601,369	8,816,450	60,009	19,768,874

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52. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

The tables below reflect the expected maturities of the Group and company's discounted financial assets and liabilities at the balance sheet date.

	The Group					
	2008					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No specific maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Assets						
Cash resources	3,583,864	-	-	-	-	3,583,864
Financial investments	20,297,244	6,427,197	13,723,005	32,591,164	2,349,733	75,388,343
Securities purchased under resale agreements	4,448,058	-	-	-	-	4,448,058
Investment properties	-	-	-	-	326,175	326,175
Derivative financial instruments	2,889,221	-	22,468	45,617		2,957,306
Investment in associated company	-	-	-	-	2,725	2,725
Loans & leases, after allowance for impairment losses	1,549,320	2,024,349	3,199,859	1,673,164	-	8,446,692
Taxation recoverable	700,333	-	-	-	-	700,333
Cash Reserve at Bank of Jamaica	182,062	-	-	-	-	182,062
Reinsurance contracts	-	2,574,249	-	-	-	2,574,249
Other assets	1,619,661	1,780,586	-	78,079	1,187,058	4,665,384
Property, plant and equipment	-	-	-	-	1,821,064	1,821,064
Deferred income taxes	-	636,485	-	-	-	636,485
Intangible assets	-	-	-	5,291,788	-	5,291,788
Retirement benefit assets	-	-	-	206,190	-	206,190
Segregated funds' assets	1,713,452	257,979	542,169	1,778,370	2,268,727	6,560,697
Total assets	36,983,215	13,700,845	17,487,501	41,664,372	7,955,482	117,791,415

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52. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	The Group					
	2008					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No specific maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Liabilities						
Securities sold under repurchase agreements	36,095,358	3,759,072	102,723	-	-	39,957,153
Due to banks and other financial institutions	772,856	3,064,393	1,031,667	1,019,361	-	5,888,277
Customer deposits	2,258,940	3,376,762	937,047	847,240	-	7,419,989
Structured products	-	-	950,505	137,035	-	1,087,540
Derivative financial instruments	2,635,231	-	22,468	45,617	-	2,703,316
Redeemable preference shares	-	6,866	1,264,324	-	-	1,271,190
Other liabilities	3,055,568	56,548	-	70,452	181,127	3,363,695
Provision	-	140,000	-	-	78,402	218,402
Taxation payable	153,763		-	-	-	153,763
Deferred income taxes	-	418,647	-	-	-	418,647
Retirement benefit obligations	-	-	-	430,422	-	430,422
Segregated funds' liabilities	50,769	195,513	472,326	5,842,089	-	6,560,697
Insurance contracts liabilities	205,299	626,041	3,274,877	11,311,806	-	15,418,023
Investment contracts liabilities	4,983,231	3,708,184	200,261	-	-	8,891,676
Other policy liabilities	247,105	3,902,467	616	269,556	-	4,419,744
Total liabilities	50,458,120	19,254,493	8,256,814	19,973,578	259,529	98,202,534
On Balance Sheet interest sensitivity gap	(13,474,905)	(5,553,648)	9,230,687	21,690,794	7,695,953	19,588,881
Cumulative interest sensitivity gap	(13,474,905)	(19,028,553)	(9,797,866)	11,892,928	19,588,881	
	2007					
Total assets	13,092,546	10,425,813	19,852,936	36,980,055	6,718,380	87,069,730
Total liabilities	35,800,380	11,616,427	3,743,205	15,864,550	141,190	67,165,752
On balance sheet interest sensitivity gap	(22,707,834)	(1,190,614)	16,109,731	21,115,505	6,577,190	19,903,978
Cumulative interest sensitivity gap	(22,707,834)	(23,898,448)	(7,788,717)	13,326,788	19,903,978	

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52. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	2008					
	The Company					
	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	No specific maturity $'000	Total $'000
Assets						
Cash resources	269,379	-	-	-	-	269,379
Financial investments	1,708,335	860,524	2,478,580	16,279,338	1,595,533	22,922,310
Securities purchased under resale agreements	1,392,577	-	-	-	-	1,392,577
Investment properties	-	-	-	-	326,175	326,175
Investment in associated company	-	-	-	-	2,725	2,725
Investments in subsidiaries	-	-	-	-	5,129,499	5,129,499
Lease receivables	2,508	2,152	159	-	-	4,819
Taxation recoverable	415,036	-	-	-	-	415,036
Reinsurance contracts	-	57,848	-	-	-	57,848
Other assets	1,835,264	234,794	-	78,079	792,888	2,941,025
Property, plant and equipment	-	-	-	-	1,254,883	1,254,883
Deferred income taxes	-	36,674	-	-	-	36,674
Intangible assets	-	-	-	2,607,714	-	2,607,774
Retirement benefit assets	-	-	-	184,482	-	184,482
Segregated funds' assets	1,656,383	250,009	542,169	1,651,808	2,195,522	6,295,891
Total assets	7,279,482	1,442,001	3,020,908	20,801,421	11,297,225	43,841,037
Liabilities						
Other liabilities	1,716,849	-	-	-	194,651	1,911,500
Due to banks and other financial institutions	310,617	750,200	55,688	377,130	-	1,493,635
Provision	-	140,000	-	-	78,402	218,402
Taxation payable	96,816	-	-	-	-	96,816
Deferred income taxes	-	267,606	-	-	-	267,606
Retirement benefit obligations	-	-	-	397,849	-	397,849
Segregated funds' liabilities	50,769	195,513	472,326	5,577,223	-	6,295,831
Insurance contracts liabilities	202,271	603,661	3,171,960	9,802,029	-	13,779,921
Investment contracts liabilities	4,073,792	115,456	200,261	-	-	4,389,509
Other policy liabilities	21	1,016,635	616	269,556	-	1,286,828
Total liabilities	6,415,135	3,089,071	3,900,851	16,423,787	273,053	30,137,897
On Balance Sheet interest sensitivity gap	828,347	(1,647,070)	(879,943)	4,377,634	11,024,172	13,703,140
Cumulative interest sensitivity gap	828,347	(818,723)	(1,698,666)	2,678,968	13,703,140	

	2007					
Total assets	3,487,849	1,826,634	2,695,259	15,152,127	10,602,622	33,764,491
Total liabilities	3,118,939	2,058,829	2,389,042	12,187,656	432,223	20,186,689
On balance sheet interest sensitivity gap	368,910	(232,195)	306,217	2,964,471	10,170,399	13,577,802
Cumulative interest sensitivity gap	368,910	136,715	442,932	3,407,403	13,577,802	

52. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

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.

(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.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

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: on and off balance sheet financial instruments

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's and the company's assets and liabilities at carrying amounts categorized by currency.

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52. Insurance and Financial Risk Management (Continued)

(f) Currency risk (continued)

Concentrations of currency risk:
On and off balance sheet financial instruments

	2008			
	The Group			
	Jamaican $	US$	Other	Total
	$'000	$'000	$'000	$'000
Financial Assets				
Cash resources	953,366	2,113,350	517,148	3,583,864
Financial Investments	43,902,297	30,424,175	1,061,871	75,388,343
Derivative instruments	-	2,076,668	880,638	2,957,306
Investment in associated company	2,725	-	-	2,725
Securities purchased under resale agreements	1,928,581	2,516,516	2,961	4,448,058
Investment properties	326,175	-	-	326,175
Loans, after allowance for impairment losses	1,888,684	6,558,008	-	8,446,692
Taxation recoverable	700,333	-	-	700,333
Due from related companies	425,462	382,301	-	807,763
Cash reserve at Bank of Jamaica	47,835	126,640	7,587	182,062
Reinsurance assets	111,936	18,723	2,443,590	2,574,249
Other assets	2,358,085	476,025	1,023,511	3,857,621
Property, plant and equipment	1,426,483	323,187	71,394	1,821,064
Segregated funds’ assets	4,578,764	1,972,392	9,541	6,560,697
Deferred income taxes	636,485	-	-	636,485
Intangible assets	4,444,950	781,662	65,176	5,291,788
Retirement benefit assets	206,190	-	-	206,190
Total assets	63,938,351	47,769,647	6,083,417	117,791,415
Liabilities				
Securities sold under repurchase agreements	18,403,826	21,395,704	157,623	39,957,153
Customer deposits	845,343	6,133,520	441,126	7,419,989
Other liabilities	2,300,707	146,842	916,146	3,363,695
Provisions	218,402	-	-	218,402
Due to banks and other financial institutions	1,906,573	3,981,704	-	5,888,277
Derivative instruments	-	897,252	1,806,064	2,703,316
Structured products	74,741	1,012,799	-	1,087,540
Redeemable preference shares	1,271,190	-	-	1,271,190
Taxation payable	153,763	-	-	153,763
Deferred income taxes	418,647	-	-	418,647
Segregated funds’ liabilities	6,191,844	368,853	-	6,560,697
Retirement benefit obligations	430,422	-	-	430,422
Insurance contracts	6,751,245	8,666,778	-	15,418,023
Investment contracts	4,143,389	4,748,287	-	8,891,676
Other policy liabilities	1,286,838	1,442,644	1,690,262	4,419,744
Total liabilities	44,396,930	48,794,383	5,011,221	98,202,534
Net on balance sheet financial position	19,541,421	(1,024,736)	1,072,196	19,588,881

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52. Insurance and Financial Risk Management (Continued)

(f) Currency risk (continued)
On and off balance sheet financial instruments (continued)

	2007			
	The Group			
	Jamaican $	US$	Other	Total
	$'000	$'000	$'000	$'000
Financial Assets				
Cash resources	571,154	1,120,589	218,918	1,910,661
Financial Investments	32,524,091	23,769,995	2,715,998	59,010,084
Investment in associated company	2,725	-	-	2,725
Securities purchased under resale agreements	201,115	902,675	-	1,103,790
Investment properties	264,084	-	-	264,084
Loans and leases, after allowance for impairment losses	2,326,050	4,841,193	-	7,167,243
Taxation recoverable	565,824	-	-	565,824
Cash reserve at Bank of Jamaica	38,402	51,658	5,788	95,848
Reinsurance contracts	57,720	74,082	1,209,524	1,341,326
Other assets	1,993,666	312,901	728,901	3,035,468
Property, plant and equipment	916,861	53,896	259,271	1,230,028
Segregated funds' assets	5,524,891	724,725	12,080	6,261,696
Deferred income taxes	46,442	-	-	46,442
Intangible assets	4,251,897	722,143	10,927	4,984,967
Retirement benefit assets	49,544	-	-	49,544
Total assets	49,334,466	32,573,857	5,161,407	87,069,750
Liabilities				
Securities sold under repurchase agreements	17,009,733	16,801,201	209,568	34,020,502
Customer deposits	676,637	4,464,337	261,127	5,402,101
Other liabilities	1,489,707	383,215	538,416	2,411,338
Provisions	81,181	-	-	81,181
Due to banks and other financial institutions	1,954,992	1,571,315	199,778	3,726,085
Taxation payable	107,400	-	-	107,400
Deferred income taxes	216,139	-	-	216,139
Segregated funds' liabilities	5,524,891	724,725	12,080	6,261,696
Retirement benefit obligations	308,447	-	-	308,447
Insurance contracts	4,691,263	1,518,194	81,594	6,291,051
Investment contracts	4,740,498	699,718	369,119	5,809,335
Other policy liabilities	856,834	105,897	1,567,746	2,530,477
Total liabilities	37,657,722	26,268,602	3,239,428	67,165,752
Net on balance sheet financial position	11,676,744	6,305,255	1,921,979	19,903,978

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52. Insurance and Financial Risk Management (Continued)

(f) Currency risk (continued)

Concentrations of currency risk:
On and off balance sheet financial instruments (continued)

	2008			
	The Company			
	Jamaican $	US$	Other	Total
	$'000	$'000	$'000	$'000
Assets				
Cash and bank	266,607	2,522	250	269,379
Financial Investments	12,684,694	10,237,616	-	22,922,310
Securities purchased under resale agreements	696,174	693,442	2,961	1,392,577
Investment properties	326,175	-	-	326,175
Lease receivables	4,819	-	-	4,819
Investment in associated company	2,725	-	-	2,725
Taxation recoverable	415,036	-	-	415,036
Deferred tax asset	36,674	-	-	36,674
Retirement benefit Asset	184,482	-	-	184,482
Investment in subsidiaries	4,224,776	904,723	-	5,129,499
Reinsurance assets	57,848	-	-	57,848
Other assets	2,941,025	619	-	2,941,025
Property, plant and equipment	1,254,883	-	-	1,254,883
Segregated funds' assets	4,578,763	1,707,527	9,541	6,295,831
Intangible assets	2,607,774	-	-	2,607,774
Total assets	30,281,836	13,546,449	12,752	43,841,037
Liabilities				
Other liabilities	1,911,500	-	-	1,911,500
Provisions	218,402	-	-	218,402
Due to banks and other financial institutions	730,763	762,872	-	1,493,635
Taxation payable	96,816	-	-	96,816
Deferred income taxes	267,606	-	-	267,606
Retirement benefit obligations	397,849	-	-	397,849
Segregated funds' liabilities	6,191,843	103,988	-	6,295,831
Insurance contracts	6,751,245	7,028,676	-	13,779,921
Investment contracts	4,143,389	246,120	-	4,389,509
Other policy liabilities	1,286,634	194	-	1,286,828
Total financial liabilities	21,996,047	8,141,850	-	30,137,897
Net on balance sheet financial position	8,285,789	5,404,599	12,752	13,703,140

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52. Insurance and Financial Risk Management (Continued)

(f) Currency risk (continued)

Concentrations of currency risk:
On and off balance sheet financial instruments (continued)

	2007			
	The Company			
	Jamaican $	US$	Other	Total
	$'000	$'000	$'000	$'000
Assets				
Cash and bank	475,242	14,593	66	489,901
Financial Investments	11,648,255	3,752,505	272,434	15,673,194
Securities purchased under resale agreements	592,296	64,343	2,609	659,248
Investment properties	264,084	-	-	264,084
Loans and leases, after allowance for impairment losses	9,541	-	-	9,541
Investment in associated company	2,725	-	-	2,725
Taxation recoverable	320,452	-	-	320,452
Investment in subsidiaries	4,150,124	904,723	-	5,054,847
Reinsurance contracts	57,720	-	-	57,720
Other assets	2,132,200	1,685	-	2,133,885
Property, plant and equipment	781,061	-	-	781,061
Deferred income taxes	30,997	-	-	30,997
Segregated funds' assets	5,524,890	428,591	12,080	5,965,561
Intangible assets	2,321,275	-	-	2,321,275
Total assets	28,310,862	5,166,440	287,189	33,764,491
Liabilities				
Other liabilities	1,302,719	-	-	1,302,719
Provisions	81,181	-	-	81,181
Due to banks and other financial institutions	1,189,075	143,354	-	1,332,429
Taxation payable	47,626	-	-	47,626
Deferred income taxes	104,478	-	-	104,478
Retirement benefit obligations	291,033	-	-	291,033
Segregated funds' liabilities	5,524,890	428,591	12,080	5,965,561
Insurance contracts	4,691,264	555,399	-	5,246,663
Investment contracts	4,489,135	217,079	-	4,706,214
Other policy liabilities	1,108,197	588	-	1,108,785
Total financial liabilities	18,829,598	1,345,011	12,080	20,186,689
Net on-balance sheet financial position	9,481,264	3,821,429	275,109	13,577,802

53. Sensitivity Analysis

Actuarial liabilities comprise 53.7% 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 36 (e).

(g) 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:

- Lapse rates
- Operating expenses and taxes
- Mortality and morbidity

53. Sensitivity Analysis (Continued)

(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 balance sheet 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 excluding the Industrial Alliance Cayman portfolio which was acquired during 2008. DCAT testing has not been completed for:

- Sagicor Re Insurance Limited
- Sagicor General Insurance (Cayman) Ltd.;

These insurers have net actuarial liabilities totalling $230,994,000 or 1.5% of the Group actuarial liabilities (insurance contracts).

53. 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 2009 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 2009 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 2009 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 2009 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 2009 and for the next five years.

(vi) Level new business. New business planned for 2009 was maintained for the 5 year period. Overall, this scenario has no effect on the liabilities in 2008 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 2008 liabilities, but will produce net lower liabilities over the next five years.

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53. 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 $15,418,023,000 at the balance sheet date.

		The Group	
Variable	**Change in Variable**	**2008 Change in Liability $'000**	**2007 Change in Liability $'000**
Worsening of mortality/morbidity	+3% for 5 yrs.	1,200,709	509,676
Improvement in annuitant mortality	-3% for 5 yrs.	332,833	71,030
Lowering of investment return	-0.5% for 10 yrs.	3,467,110	1,208,691
Worsening of base renewal expense and inflation rate	+5% for 5 yrs.	1,330,513	1,084,736
Worsening of lapse rate	x2 or x0.5	1,874,574	1,806,585
High Interest	+0.5% for 10 yrs.	(4,927,835)	(1,304,436)

		The Company	
Variable	**Change in Variable**	**2008 Change in Liability $'000**	**2007 Change in Liability $'000**
Worsening of mortality/morbidity	+3% for 5 yrs.	1,091,691	442,795
Improvement in annuitant mortality	-3% for 5 yrs.	230,116	68,496
Lowering of investment return	-0.5% for 10 yrs.	3,185,079	996,539
Worsening of base renewal expense and inflation rate	+5% for 5 yrs.	1,311,794	1,069,234
Worsening of lapse rate	x2 or x0.5	1,594,300	1,547,732
High Interest	+0.5% for 10 yrs.	(4,695,010)	(1,053,120)

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53. Sensitivity Analysis (Continued)

(iii) Sensitivity arising from a decline in equity prices

The group is sensitive to fair value risk on its Available for sale equity securities. The theoretical effects of an increase by 20% and a decrease by 20% in equity prices at the balance sheet date are set out below.

	The Group	
	Carrying Value $'000	Effect of 20% change at 31 December 2008 $'000
Available for sale equity securities:		
Listed on Jamaica Stock exchange	1,441,065	288,213
Listed on US Stock exchanges	385,996	77,199
Other	129,846	25,969
	1,956,907	391,381

	The Company	
	Carrying Value $'000	Effect of 20% change at 31 December 2008 $'000
Available for sale equity securities:		
Listed on Jamaica Stock exchange	1,222,187	244,437
Other	23,668	4,734
	1,245,855	249,171

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53. Sensitivity Analysis (continued)

(iv) Sensitivity arising from Currency risk

The Group and the company are most sensitive to currency risk in its operating currencies which float against the United States dollar. This currency is the Jamaican dollar.

The theoretical effect of a further 15% depreciation and a 5% appreciation in the Jamaican dollar (JMD) relative to the United States dollar (USD) at the balance sheet date is considered in the following tables.

The Group

	2008			2007		
	Balances denominated in other than JMD $'000	**Effect of a 15% depreciation at 31 December 2008 $'000**	**Effect of a 5% appreciation at 31 December 2008 $'000**	**Balances denominated in other than JMD $'000**	**Effect of a 15% depreciation at 31 December 2007 $'000**	**Effect of a 5% appreciation at 31 December 2007 $'000**
Balance Sheet:						
Assets	53,853,064	61,931,024	51,160,411	37,735,264	43,395,554	35,848,501
Liabilities	53,805,604	61,876,445	51,115,324	29,508,030	33,934,235	28,032,629
Net Position	47,460	54,579	45,087	8,227,234	9,461,319	7,815,872
Income statement:						
Net income	-	(428,984)	142,995	-	828,123	(276,041)
Equity	-	436,103	(145,368)	-	405,962	(135,321)

The Company

	2008			2007		
	Balances denominated In other than JMD $'000	**Effectofa15% Depreciation at 31December 2008 $'000**	**Effectofa5% Appreciation at 31December 2008 $'000**	**Balances denominated In other than JMD $'000**	**Effectofa15% Depreciation at 31December 2007 $'000**	**Effect of a 5% appreciation at 31 December 2007 $'000**
Balance Sheet:						
Assets	13,559,201	15,593,081	12,881,241	5,453,629	6,271,673	5,180,948
Liabilities	8,141,850	9,363,128	7,734,758	1,357,091	1,560,655	1,289,236
Net Position	5,417,351	6,229,954	5,146,483	4,096,538	4,711,019	3,891,711
Income statement						
Net income	-	812,603	(270,868)	-	614,481	(204,827)

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53. 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 balance sheet.

	2006	2007	2008	Total
Gross	**$'000**	**$'000**	**$'000**	**$'000**
Estimate of ultimate claims incurred:				
At the end of the reporting year	281,694	202,960	2,116,950	2,601,604
One year later	248,078	172,758	-	420,836
Two years later	262,225	-	-	262,225
Most recent year	262,225	172,758	2,116,950	2,551,933
Cumulative payments to date	(145,029)	(112,656)	(933,970)	(1,191,655)
Liability recognised in the balance sheet	117,196	60,102	1,182,980	1,360,278
Liability in respect of prior years				331,175
Total liability				1,691,453

The reinsurers' share of the amounts in the foregoing table is set out below.

Reinsurers' share	**2006**	**2007**	**2008**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Estimate of ultimate claims incurred:				
At the end of the reporting year	120,655	120,329	1,922,033	2,163,017
One year later	116,109	106,142	-	222,251
Two years later	128,486	-	-	128,486
Most recent year	128,486	106,142	1,922,033	2,156,661
Cumulative payments to date	(43,826)	(68,853)	(787,472)	(900,151)
Recoverable recognised in the balance sheet	84,660	37,289	1,134,561	1,256,510
Recoverable in respect of prior years				164,040
Total recoverable from reinsurers				1,420,550

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53. Sensitivity Analysis (Continued)

(vi) Interest rate sensitivity

For the PCFS Banking Group, the following table indicates the sensitivity to a reasonable possible change in interest rates (5% increase and 5% decline), with all other variables held constant, on the Banking Group's profit and loss account 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. The SLJ ownership interest in the PCFS Banking Group was 52.97% (2007 – 52.20%).

	The PCFS Group			
	Effect on Net Profit 2008 $'000	Effect on Equity 2008 $'000	Effect on Net Profit 2007 $'000	Effect on Equity 2007 $'000
Change in percentage (%)				
-8	239,399	4,723,458	47,821	2,418,398
+5	(95,192)	(2,116,334)	(39,746)	(1,855,830)

54. 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 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 Group's operations.

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54. Capital Management (Continued)

The principal capital resources of the Group comprise its stockholders' equity, its minority interest equity, and its debt financing. The summary of these resources at the year end is as follows:

	2008	2007
	$'000	$'000
Neither past due nor impaired -		
Stockholders' equity	15,543,820	15,507,025
Minority interest	4,045,061	4,396,953
Business development loans payable	467,684	411,061
Total balance sheet capital resources	20,056,565	20,315,039

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, on at least an annual basis.

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 quarterly 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 balance sheet date is an MCCSR of 135% (2007 - 120%). The MCCSR for the Sagicor Life Jamaica Limited Company as of 31 December 2008 and 2007 is set out below.

	2008	2007
Sagicor Life Jamaica Limited	156.6%	187.0%

54. Capital Management (Continued)

(b) Sagicor Life of the Cayman Islands Limited

There is no capital adequacy requirement in the Cayman Islands for life insurance companies, beyond the need for assets to cover liabilities at the balance sheet date. However, the (MCCSR for Sagicor Cayman, is based on the Canadian Regulatory Standards is set out below.

	2008	2007
Sagicor Life of the Cayman Islands Limited	183.9%	345.2%

(c) Pan Caribbean Financial Services Limited

Capital adequacy and the use of regulatory capital are monitored monthly by the Group's 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 Group's 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.

Investments in associates are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

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 table below summarises the composition of regulatory capital and the ratios of the regulated companies within the Group for the years ended 31 December 2008 and 2007. During those two years, the individual entities within the Group complied with all of the externally imposed capital requirements to which they are subject.

The regulated companies within the Group are Pan Caribbean Financial Services Limited (PCFS), Pan Caribbean Bank Limited (PCB) and Pan Caribbean Asset Management Limited (PCAM).

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54. Capital Management (Continued)

(c) Pan Caribbean Financial Services Limited (continued)

	PCFS	PCFS	PCB	PCB	PCAM	PCAM
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Tier 1 capital	4,938,126	5,672,679	1,330,066	1,044,200	170,912	151,878
Tier 2 capital	1,475,028	140,436	29,416	22,898	5,310	5,310
Total regulatory capital	6,413,154	5,813,115	1,359,482	1,067,098	176,222	157,188
Total required capital	2,469,063	2,836,339	863,729	539,802	86,459	75,939
Risk-weighted assets:						
On-balance sheet	10,873,705	7,152,661	5,830,908	3,347,806	103,955	48,708
Off-balance sheet	-	-	1,367,229	528,199	-	-
Foreign exchange exposure	1,823,225	398,209	1,439,149	1,522,012	-	-
Total risk-weighted assets	12,696,930	7,550,870	8,637,286	5,398,017	103,955	48,708
Actual capital base to risk weighted assets	50.51%	77%	16%	20%	169%	323%
Required capital base to risk weighted assets	10%	10%	10%	10%	10%	10%

The increase of the regulatory capital in 2008 is mainly due to the contribution of the current year profit.

Derivative Products

The Banking Group's 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 Group employs the same credit risk management procedures to assess and approve potential credit exposures that are used for traditional lending.

55. 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 2008, these subsidiaries had financial assets under administration of approximately $66,126,730,000 (2007: $75,706,745,000).

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56. Commitments

In the normal course of business, the Group has entered into commitments at the balance sheet date for which no provision has been made in these financial statements. The off balance sheet commitments and their maturity profiles are as follows:

	The Group			
	Contractual cash flows within 1 year $'000	Contractual Cash flows 1-5 years $'000	Contractual Cash flows after 5 years $'000	Current year Total $'000
At 31 December 2008				
Loan commitments	752,781	262,943	38,245	1,053,969
Guarantees, acceptances and other financial facilities	568,452	327,318	30,831	926,601
Operating lease commitments	41,487	27,422	-	68,909
	1,362,720	617,683	69,076	2,049,479
At 31 December 2007				
Loan commitments	394,068	189,496	-	583,564
Guarantees, acceptances and other financial facilities	316,742	222,044	26,861	565,647
Expenditure on real estate	442,056	-	-	442,056
Operating lease commitments	22,874	38,533	-	61,407
	1,175,740	450,073	26,861	1,652,674

	The Company			
	Contractual cash flows within 1 year $'000	Contractual Cash flows 1 - 5 years $'000	Contractual Cash flows after 5 years $'000	Current year Total $'000
At 31 December 2008				
Loan commitments	88,554	-	-	88,554
	88,554	-	-	88,554
At 31 December 2007				
Loan commitments	156,030	-	-	156,030
Expenditure on real estate	442,056	-	-	442,056
	598,086	-	-	598,086

57. Contingent Liabilities

(a) Universal life policies

The design of a Universal Life policy is such that on realistic assumptions, the fund value built-up from premiums paid and from investment earnings is required in later years to pay the administrative costs and mortality charges.

A review of the company's Universal Life policies portfolio revealed that approximately 17,000 Universal Life policies were affected by fund values which were insufficient to cover these costs through the life of the policies.

Once the problem was recognised, the company initiated discussion with the Regulators, the Financial Services Commission (FSC), as a result of which the affected policyholders were given the opportunity to reduce their existing coverage under the policies or to increase the premiums at their expense. Approximately 95% of these policyholders agreed to adjustments to their policies.

The company estimated that less than 1% of the affected policyholders have filed complaints with the FSC, which carried out investigations and made a submission to the company. The FSC suggested a number of alternatives to remedy the problem.

The company is in discussions with the FSC on the matter. The cost, if any, of resolving this issue cannot be quantified at this time.

(b) Hurricane Ivan claims

Effective 30 November 2005, Sagicor Life of the Cayman Islands (SLC), a wholly owned subsidiary of the Company, acquired a 51% stake in Sagicor General Insurance Cayman Ltd (SGC) (formerly Cayman General Insurance Ltd) from Cayman National Corporation Ltd. On 22 October 2007, SLC purchased an additional 24.2% interest in SGC from CNC. Under the terms of the initial Sale and Purchase Agreement, CNC provided certain warranties to SLC including claims in relation to Hurricane Ivan, not finally settled. SGC filed suit in February 2006 against certain third parties to recover sums paid for work done in respect of Hurricane Ivan (the "Windsor Village litigation"). The understanding of the parties (SLC and CNC) based on discussions held was that CNC would be entitled to retain any benefits realized from the Windsor Village litigation and as a consequence that CNC would be responsible for all liabilities that might arise from it; CNC has also been responsible for the conduct of the litigation.

In December 2008, SGC withdrew its claims against the third parties and the third parties have now lodged counterclaims against it. Although SGC is confident in defending its positions on these counterclaims, certain contingent liabilities could attach if the courts rule in favor of the third parties or if out of court settlements were to be negotiated and if CNC seeks to deny responsibility for any of these counterclaims. The amounts can not be quantified at this stage.

It is the Company's view, supported by legal advice received, that there is legal basis for relying on the warranty under the agreement in respect of certain of the counterclaims in the "Windsor Village litigation" and the company also intends to rely on the understanding arrived at between the parties prior to law suits being filed.

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57. Contingent Liabilities (Continued)

(c) Legal proceedings

The company and its subsidiaries 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.

58. Pledged Assets

The carrying values of the assets are pledged as collateral under repurchase agreements with customers and financial institutions. Mandatory cash reserves and investment securities are also held with The Bank of Jamaica and the Financial Services Commission.

	The Group			
	Asset		Related Liability	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Balance with regulators	360,038	343,576	-	-
Investment securities and securities sold under repurchase agreements	51,851,435	38,168,299	45,107,149	36,877,144
	52,211,473	38,511,875	45,107,149	36,877,144

	The Company			
	Asset		Related Liability	
Balance with regulators	301,496	277,857	-	-
Investment securities	4,745,250	1,576,906	740,743	430,108
	5,046,746	1,854,763	740,743	430,108

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		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Investment securities	18,079,991	16,695,792	-	-

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59. Acquisitions

(a) Industrial Alliance Cayman

On 17 January 2008, one of the company subsidiaries, Sagicor Life of the Cayman Islands Ltd, acquired the insurance portfolio of former Cayman Islands Individual Life business of Industrial Alliance Insurance and Financial Services Inc. from Sagicor Capital Life Insurance Company Limited. The net assets acquired, and purchase consideration are set out below:

	Fair value of net assets acquired
	$'000
Assets:	
Policy loans and interest	65,100
Due from Sagicor Capital Life Insurance Company Limited	447,336
Premiums due	4,372
	516,808
Liabilities:	
Insurance and annuity reserves	431,524
Policyholders funds on deposit	83,266
Accounts payable	2,018
	516,808
Net assets acquired	-
Purchase consideration and related costs	22,172

59. Acquisitions (Continued)

(b) Blue Cross Jamaica Limited Insurance business

On 1 December 2008, the company acquired the insurance business of Blue Cross Jamaica Limited. The intangibles assets acquired have been recorded provisionally. The net assets acquired, purchase consideration and goodwill arising are set out below:

	Fair Value of net assets acquired	Acquiree's Carrying Value
	$'000	$'000
Assets:		
Available-for-sale securities	531,957	531,957
Securities purchased under resale agreements	52,164	52,164
Cash and short term securities	351,154	351,154
Customer relationships (Note 17)	377,000	-
Computer software	3,754	3,754
Due from reinsurers	6,415	6,415
Premiums due	147,222	147,222
Accounts receivable	208,743	208,743
Real estate developed for resale (Note 19)	228,518	228,518
Property, plant and equipment (Note 14)	340,332	340,332
Tax recoverable	49,405	49,405
Retirement benefit asset (Note 15(a))	184,482	184,482
Deferred acquisition expenses	4,993	4,993
	2,486,139	2,109,139
Liabilities:		
Insurance and annuity reserves	154,741	154,741
Unearned premiums	52,916	52,916
Bank indebtedness	81,540	81,540
Deferred tax liability	61,398	61,398
Retirement benefit liability (Note 15(b))	37,678	37,678
Accounts payable	121,612	121,612
	509,885	509,885
Net assets acquired	1,976,254	1,599,254
Purchase consideration and acquisition expenses	1,937,964	
Negative goodwill arising on acquisition	38,290	

59. Acquisitions (Continued)

(b) Blue Cross Jamaica Limited Insurance business (continued)

	$'000
Purchase consideration settled in cash	1,937,964
Cash and cash equivalents in business acquired	(269,614)
	1,668,350

The acquired business contributed gross revenue of $258,695,000 and net income of $86,039,000 for the period 1 December 2008 to 31 December 2008. If the acquisition had occurred on 1 January 2008, the acquired business would have contributed gross revenue of $2,162,734,000, and profit before allocations would have been $163,748,000.

60. Breach of Insurance Act, 2001

At 31 December 2008, the company was in breach of section 90 of the Insurance Act, 2001 in that the company issued a single premium health policy and a single premium annuity policy, which were not approved by the Financial Services Commission.

The company is in the process of obtaining approval for these policies. It is not anticipated that any penalty for the breach could have a material impact on these financial statements.

61. Subsequent Events

(a) Portfolio acquisition

On 2 February 2009, Sagicor Life of the Cayman Islands Ltd acquired the Cayman Individual Life portfolio of Guardian Life Limited for a consideration of US$385,000.

(b) Bank of Jamaica reserves

Subsequent to the year-end, Bank of Jamaica increased the Liquid Assets Ratio for Commercial Banks applicable to local currency liabilities by 1 percentage point to 28%. The Bank of Jamaica also increased the Cash Reserves requirement of Commercial Banks with respect to local currency liabilities by 1 percentage point to 14%.