SAGICOR GROUP JAMAICA

AUDITED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

Sagicor Group Jamaica Limited

Financial Statements
31 December 2013

Sagicor Group Jamaica Limited

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31 December 2013

Sagicor
Group Jamaica Limited

APPOINTED ACTUARY'S REPORT TO THE SHAREHOLDERS AND POLICYHOLDERS

I have valued the policy actuarial liabilities of Sagicor Life Jamaica Limited and Sagicor Life of the Cayman Islands Ltd. for the consolidated statement of financial position at 31 December 2013, and the change in the consolidated income statement for the year then ended, in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

The valuations of the Sagicor Life Jamaica Limited and the Sagicor Life of the Cayman Islands Ltd. 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. The valuation also complies with the Caribbean Actuarial Association's Practice Standards for Long-term Insurance Business (APS2).

In my opinion, the amount of the 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, CERA
APPOINTED ACTUARY FOR SAGICOR LIFE JAMAICA LIMITED AND
SAGICOR LIFE OF THE CAYMAN ISLANDS LTD

3 MARCH 2014

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pwc

Independent Auditors' Report

To the Members of
Sagicor Group Jamaica Limited

Report on the Consolidated and Company Stand Alone Financial Statements
We have audited the accompanying consolidated financial statements of Sagicor Group Jamaica Limited and its subsidiaries, set out on pages 1 to 170, which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated income statement, consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the accompanying financial statements of Sagicor Group Jamaica Limited standing alone, which comprise the statement of financial position as at 31 December 2013 and the income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: (876) 922 6230, F: (876) 922 7581, www.pwc.com/jm

Opinion

In our opinion, the consolidated financial statements of Sagicor Group Jamaica Limited and its subsidiaries, and the financial statements of Sagicor Group Jamaica Limited standing alone give a true and fair view of the financial position of Sagicor Group Jamaica Limited and its subsidiaries and Sagicor Group Jamaica Limited standing alone as at 31 December 2013, and of their financial performance and cash flows for the year then ended, so far as concerns the members of Sagicor Group Jamaica Limited, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal and Regulatory Requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

PricewaterhouseCoopers

Chartered Accountants
3 March 2014
Kingston, Jamaica

Sagicor Group Jamaica Limited

Consolidated Statement of Financial Position

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013	Restated 2012	Restated 2011
		$'000	$'000	$'000
ASSETS:				
Cash resources	7	4,082,363	4,243,828	2,900,015
Cash reserve at Bank of Jamaica	9	993,331	735,494	519,732
Financial investments	10	161,788,676	135,194,245	124,469,902
Derivative financial instruments	11	3,019,597	4,253,104	839,420
Loans & leases, after allowance for credit losses	12	10,821,201	9,391,290	9,259,647
Pledged assets	13	3,278,856	3,943,434	7,831,016
Investment properties	14	782,345	2,400,826	2,539,343
Investment in joint venture	15	639,235	544,115	-
Investment in associated companies	16	-	2,725	2,725
Intangible assets	18	4,015,509	4,164,735	4,314,637
Property, plant and equipment	19	1,676,573	1,684,079	1,535,046
Reinsurance contracts	20	262,710	239,079	240,222
Retirement benefit assets	21	-	35,729	99,462
Deferred income taxes	22	298,107	19,133	158,723
Taxation recoverable		2,327,391	2,679,681	1,867,294
Other assets	23	4,324,403	5,000,419	3,795,274
TOTAL ASSETS		**198,310,297**	**174,531,916**	**160,372,458**

Sagicor Group Jamaica Limited

Consolidated Statement of Financial Position (Continued)

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 $'000	Restated 2012 $'000	Restated 2011 $'000
STOCKHOLDERS' EQUITY AND LIABILITIES:				
Stockholders' Equity Attributable				
Stockholders' of the Company				
Share capital	25	7,854,938	7,854,938	7,854,938
Equity reserves	26	5,343,433	5,734,286	4,463,415
Retained earnings		22,727,470	19,266,331	16,092,261
		35,925,841	32,855,555	28,410,614
Non-controlling Interests		1,695,002	1,759,279	1,763,242
Total Equity		**37,620,843**	**34,614,834**	**30,173,856**
Liabilities				
Deposit and security liabilities	33	86,069,724	78,045,158	75,766,283
Derivative financial instruments	11	3,170,941	4,310,566	700,600
Taxation payable		394,373	336,871	411,496
Deferred income taxes	22	1,144	357,726	783,622
Retirement benefit obligations	21	2,659,268	1,010,198	805,365
Other liabilities	34	3,855,556	3,322,152	4,199,322
Policyholders' Funds				
Insurance contracts liabilities	35	48,565,731	39,323,445	34,873,187
Investment contracts liabilities	36	13,260,293	10,796,857	10,353,016
Other policy liabilities	37	2,712,424	2,414,109	2,305,711
		64,538,448	52,534,411	47,531,914
Total Liabilities		**160,689,454**	**139,917,082**	**130,198,602**
TOTAL EQUITY AND LIABILITIES		**198,310,297**	**174,531,916**	**160,372,458**

Approved for issue by the Board of Directors on February 28, 2014 and signed on its behalf by:

Hon. R.D. Williams, O.J. — Chairman

Richard O. Byles — Director

Sagicor Group Jamaica Limited
Consolidated Income Statement
Year ended 31 December 2013
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 $'000	Restated 2012 $'000
Revenue:			
Gross premium revenue	39	30,145,619	23,761,299
Insurance premium ceded to reinsurers	39	(921,123)	(800,466)
Net premium revenue	39	29,224,496	22,960,833
Net investment income	40	8,784,969	9,529,379
Fee and other income	41	4,346,700	3,017,179
Total revenue		**42,356,165**	**35,507,391**
Benefits:			
Insurance benefits incurred		15,994,659	13,237,619
Insurance benefits reinsured		(240,162)	(146,048)
Net insurance benefits	42	15,754,497	13,091,571
Net movement in actuarial liabilities	35(d)	7,476,839	4,675,808
Expenses:			
Provision for credit losses	12	59,159	8,255
Administration expenses	44	7,322,648	6,562,241
Commission and sales expenses	45	3,636,250	3,186,483
Depreciation	19	209,900	214,913
Amortisation of intangible assets	18	254,220	269,098
Premium and other taxes	46(b)	616,452	571,506
		12,098,629	10,812,496
		35,329,965	**28,579,875**
Share of loss from joint venture	15	10,021	10,767
Share of loss on disposal of associate	16	1,716	-
Profit before Taxation		**7,014,463**	**6,916,749**
Taxation	46(a)	(561,773)	(855,217)
NET PROFIT		**6,452,690**	**6,061,532**
Stockholders of the parent company		6,297,935	5,864,574
Non-controlling interests		154,755	196,958
		6,452,690	**6,061,532**
Earnings per stock unit for profit attributable to the stockholders of the company during the year:			
Basic and fully diluted	47	1.67	1.56

Sagicor Group Jamaica Limited

Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	2013 $'000	Restated 2012 $'000
Net profit for the year	**6,452,690**	**6,061,532**
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Available-for-sale investments:		
Unrealised gains/(losses) on available-for-sale investments	(869,109)	851,976
Gains reclassified and reported in profit	(1,173,294)	(730,494)
	(2,042,403)	121,482
Cash flow hedge:		
Gains reclassified and reported in profit	-	(38,220)
Re-translation of foreign operations	1,345,070	747,994
Items that will not be subsequently reclassified to profit or loss		
Unrealised gains/(losses) on owner-occupied properties	143,299	(56,368)
Re-measurements of retirement benefits obligations	(1,286,821)	(177,044)
Total other income recognised directly in stockholders' equity, net of taxes	(1,840,855)	597,844
Total Comprehensive Income	**4,611,835**	**6,659,376**
Total Comprehensive Income attributable to:		
Stockholders of the parent company	4,546,349	6,558,760
Non-controlling Interests	65,486	100,616
	4,611,835	**6,659,376**

Items in the statement above are stated net of taxes. The income tax relating to each component of other comprehensive income is disclosed in Note 46(c).

Sagicor Group Jamaica Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Equity Reserves (Note 26)	Retained Earnings	Equity Owners' Total	Non-controlling Interests Total	Grand Total
		\----Attributable to owners of the parent----\					
		$'000	$'000	$'000	$'000	$'000	$'000
Period ended 31 December 2012:							
Balance as 1 January 2012 (as previously reported)		7,854,938	4,459,464	15,975,564	28,289,966	1,763,242	30,053,208
Segregated funds reserves		-	3,951	-	3,955	-	3,955
Effects of changes in accounting policies		-	-	116,697	116,697	-	116,697
Balance at 1 January 2012 (restated)		7,854,938	4,463,415	16,092,261	28,410,618	1,763,242	30,173,856
Total comprehensive income for the year		-	873,862	5,684,898	6,558,760	100,616	6,659,376
Transactions with owners -							
Employee share option scheme - value of services provided		-	29,723	-	29,723	916	30,639
Employee stock grants and options exercised/expired		-	(37,386)	-	(37,386)	-	(37,386)
Dividends paid to non-controlling interests		-	-	-	-	(105,495)	(105,495)
Dividends paid to owners of the parent	31	-	-	(2,106,156)	(2,106,156)	-	(2,106,156)
Total transactions with owners		-	(7,663)	(2,106,156)	(2,113,819)	(104,579)	(2,218,402)
Transfers between reserves -							
To retained earnings reserve		-	427,250	(427,250)	-	-	-
To special investment reserve	2(r)	-	5,603	(5,603)	-	-	-
To retained earnings	2(s)	-	(30,108)	30,108	-	-	-
Adjustment between regulatory loan provisioning and IFRS	30(b)	-	1,927	(1,927)	-	-	-
Total transfers between reserves		-	404,672	(404,672)	-	-	-
Balance at 31 December 2012 (restated)		7,854,938	5,734,286	19,266,331	32,855,555	1,759,279	34,614,834

The accompanying notes on pages 12 - 170 form an integral part of these financial statements.

Sagicor Group Jamaica Limited

Consolidated Statement of Changes in Equity (Continued)

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	\----Attributable to owners of the parent----\ Share Capital	Equity Reserves (Note 25)	Retained Earnings	Equity Owners' Total	Non-controlling Interests Total	Grand Total
		$'000	$'000	$'000	$'000	$'000	$'000
Period ended 31 December 2013:							
Balance as 1 January 2013 (as previously reported)		7,854,938	5,533,916	19,255,396	32,644,250	1,756,647	34,400,897
Segregated funds reserves		-	200,370	-	200,370	-	200,370
Effects of changes in accounting policies		-	-	10,935	10,935	2,632	13,567
Balance at 1 January 2013 (restated)		7,854,938	5,734,286	19,266,331	32,855,555	1,759,,279	34,614,834
Total comprehensive income for the year		-	(471,965)	5,018,314	4,546,349	65,486	4,611,835
Transactions with owners -							
Employee share option scheme - value of services provided		-	34,529	-	34,529	2,183	36,712
Employee stock grants and options exercised/expired		-	(6,196)	-	(6,196)	(10,635)	(16,831)
Dividends paid to non-controlling interests		-	-	-	-	(121,311)	(121,311)
Dividends paid to owners of the parent	31	-	-	(1,504,396)	(1,504,396)	-	(1,504,396)
Total transactions with owners		-	28,333	(1,504,396)	(1,476,063)	(129,763)	(1,605,826)
Transfers between reserves -							
To special investment reserve	2(r)	-	65,820	(65,820)	-	-	-
To retained earnings	2(s)	-	(17,863)	17,863	-	-	-
Adjustment between regulatory loan provisioning and IFRS	30(b)	-	4,822	(4,822)	-	-	-
Total transfers between reserves		-	52,779	(52,779)	-	-	-
Balance at 31 December 2013		7,854,938	5,343,433	22,727,470	35,925,841	1,695,002	37,620,843

The accompanying notes on pages 12 -170 form an integral part of these financial statements.

Sagicor Group Jamaica Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013	Restated 2012
		$'000	$'000
Net profit		**6,452,690**	**6,061,532**
Adjustments for:			
Items not affecting cash and changes to policyholders' funds:			
Adjustments for non-cash items, interest and dividends	48(a)	838,725	(3,378,794)
Changes in other operating assets and liabilities	48(b)	3,004,279	(5,459,376)
Net investment purchases	48(c)	(13,355,416)	(1,115,394)
Interest received		12,443,458	11,866,834
Interest paid		(4,009,269)	(4,106,351)
Income taxes paid		(1,882,830)	(1,728,353)
Net cash generated from operating activities		**3,491,637**	**2,140,098**
Cash Flows from Investing Activities			
Investment in joint venture	15	(26,512)	(555,382)
Purchase of property, plant and equipment, net	48(d)	(189,652)	(419,597)
Purchase of intangible assets	18	(33,600)	(87,637)
Net cash used in investing activities		**(249,764)**	**(1,062,616)**
Cash Flows from Financing Activities			
Dividends paid to stockholders		(1,504,396)	(2,106,156)
Dividends paid to non-controlling interests		(48,204)	(105,495)
Net cash used in financing activities		**(1,552,600)**	**(2,211,651)**
Effect of exchange rate on cash and cash equivalents		688,135	253,267
Increase/(decrease) in cash and cash equivalents		2,377,409	(880,902)
Cash and cash equivalents at beginning of year		3,066,991	3,947,893
CASH AND CASH EQUIVALENTS AT END OF YEAR	8	**5,444,399**	**3,066,991**

Sagicor Group Jamaica Limited

Company Statement of Financial Position

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 $'000
ASSETS:		
Investment in subsidiaries	17(b)	34,858,500
Other assets	23	116,559
TOTAL ASSETS		**34,975,059**
STOCKHOLDERS' EQUITY AND LIABILITIES:		
Stockholders' Equity Attributable		
Stockholders' of the Company		
Share capital		7,854,938
Stock options reserves		116,559
Other equity reserves		26,402,416
Accumulated deficit		(19,488)
Total Equity		34,354,425
Liabilities		
Promissory notes	33	601,145
Other liabilities	34	19,489
Total Liabilities		620,634
TOTAL EQUITY AND LIABILITIES		**34,975,059**

Approved for issue by the Board of Directors on February 28, 2014 and signed on its behalf by:

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

Richard O. Byles Director

Sagicor Group Jamaica Limited
Company Income Statement
Year ended 31 December 2013
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 $'000
Expense:		
Administration expenses	44	19,488
Loss before Taxation		(19,488)
Taxation	46	-
NET LOSS		**(19,488)**

Sagicor Group Jamaica Limited

Company Statement of Cash Flows

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	2013
Cash Flows from Operating Activities	**$'000**
Net loss	(19,488)
Adjustments for:	
Items not affecting cash and changes to policyholders' funds:	
Changes in other operating assets and liabilities	19,488
Net cash provided by operating activities	**-**

The accompanying notes on pages 12 -170 form an integral part of these financial statements

Sagicor Group Jamaica Limited

Company Statement of Changes in Equity

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Equity Reserves	Accumulated Deficit	Grand Total
		$'000	**$'000**	**$'000**	**$'000**
Loss for the period		-	-	(19,488)	(19,488)
Share exchange – group reorganisation	1(b)	7,854,938	-	-	7,854,938
Employee stock options		-	116,559	-	116,559
Group reorganization	1(b)	-	26,402,416	-	26,402,416
Balance at 31 December 2013		7,854,938	26,518,975	(19,488)	34,354,425

The accompanying notes on pages 12 -170 form an integral part of these financial statements

1. Identification and Activities

(a) Sagicor Group Jamaica Limited (SGJ, the company) is incorporated and domiciled in Jamaica and is listed on the Jamaica Stock Exchange. It is 33.70% (2012 – 33.70%) 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 51% (2012 – 51%) in Sagicor Group Jamaica Limited. The other significant shareholder in Sagicor Group Jamaica Limited is Pan-Jamaica Investment Trust Limited with a 32.76% (2012 – 32.76%) holding.

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

(b) Reorganisation of the Sagicor Jamaica Group of Companies
At an Extraordinary General Meeting held in September 2013, the stockholders of Sagicor Life Jamaica Limited (SLJ) unanimously approved the reorganization of the Sagicor Jamaica Group of Companies under a Scheme of Arrangement approved by the Supreme Court of Jamaica in accordance with the Jamaica Companies Act. In December 2013, the new holding company, Sagicor Group Jamaica Limited (SGJ) was listed on the Jamaica Stock Exchange and at the same time Sagicor Life Jamaica Limited was delisted. The existing shareholders of SLJ exchanged their shares for SGJ shares of equal value. At the year end, SLJ also transferred ownership of all subsidiaries, except for the Sagicor Investments Jamaica Limited and its subsidiaries, the Banking Group, directly to SGJ. The subsidiaries outside of Jamaica now report to SGJ through their immediate parent company, Sagicor St. Lucia Limited. The reorganization of the Banking Group will take place early in 2014 and will involve share ownership in Sagicor Bank Jamaica Limited and Sagicor Investments Jamaica Limited being held directly by SGJ.

The consideration for the transfer of ownership of the subsidiaries from SLJ to SGJ was effected by non-cash interest bearing promissory notes (Note 33).

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

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

Sagicor Group Jamaica Limited

Notes to the Financial Statements
31 December 2013
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Activities (Continued)

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

Subsidiaries	Principal Activities	Incorporated In	Holding
– Sagicor Life Jamaica Ltd.	Health insurance, annuities, retirement products, pension administration and investment services	Jamaica	100%
• Sagicor Investments Jamaica Limited and its subsidiaries:	Investment banking	Jamaica	85.45%
▪ Sagicor Bank Jamaica Limited	Commercial banking	Jamaica	85.45%
▪ Pan Caribbean Asset Management Limited	inactive	Jamaica	85.45%
▪ Manufactures Investments Limited	inactive	Jamaica	85.45%
▪ Pan Caribbean Investments Limited	inactive	Jamaica	85.45%
▪ Pan Caribbean Securities Limited	inactive	Jamaica	85.45%
– Sagicor St. Lucia Ltd. and its joint venture company	Financial services (holding company)	St. Lucia	100%
• Sagicor Costa Rica SCR, S.A	Life insurance	Costa Rica	50%
• Sagicor Life of the Cayman Islands Ltd.	Life insurance	Grand Cayman	100%
• Sagicor Insurance Managers Ltd.	Captives management	Grand Cayman	100%
• Sagicor Re Insurance Ltd.	Property and casualty insurance (captive)	Grand Cayman	100%
– Employee Benefits Administrator Limited.	Pension administration services	Jamaica	100%
– Sagicor Property Services Limited	Property management, real estate sales and rentals	Jamaica	100%
– Sagicor Pooled Investment Funds Limited	Pension fund management (Note 1(c))	Jamaica	100%
– Sagicor Insurance Brokers Limited	Insurance brokerage	Jamaica	100%
– Sagicor International Administrators Limited.	Group insurance administration	Jamaica	100%

Sagicor Pooled Investment Funds Limited administers assets of the Pooled Pension Investment Funds which are held in trust, on behalf of pension funds. At 30 September 2013, the audited assets totaled $61,835,759,000 (2012 - $56,057,264,000). At 31 December 2013, the unaudited assets totaled $63,950,608,000 (2012 - $58,175,714,000).

The Group also administers a number of self-directed pension funds on behalf of clients. At 31 December 2013, the unaudited assets of these funds totaled $21,555,122,000 (2012 - $21,549,530,000).

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) 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.

Interpretations and amendments to published standards effective 1 January 2013 that are relevant to the Group's operations

- Amendments to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

- IAS 19, 'Employee benefits' was amended in June 2012. The impact on the Group will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/(asset). See Note 4 for the impact on the financial statements.

- IAS 28 (Revised), 'Investments in Associates and Joint Ventures', includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. IFRS 11, 'Joint Arrangements' provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. See Note 4 for the impact on the financial statements.

- IFRS 7, Disclosures – Offsetting financial assets and financial liabilities amendments require an entity to disclose information about the rights to offset and related arrangements (example collateral arrangements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. These amendments did not have a significant impact on the Group's financial statements.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Interpretations and amendments to published standards effective 1 January 2013 that are relevant to the Group's operations (continued)

- IFRS 10, 'Consolidated Financial Statements', replaces all of the guidance on control and consolidation in *IAS 27, 'Consolidated and Separate Financial Statements'*, and *SIC-12, 'Consolidation − Special Purpose Entities'*. IAS 27 (Revised) now renamed 'Separate Financial Statements'. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. See Note 4 for the impact on the financial statements.

  Within the framework of IFRS 10, 'Consolidated Financial Statements' the Group has retroactively amended the accounting treatment of Universal Life Segregated Funds to account for these funds on a line-by-line basis through-out the Statement of Financial position and the Income Statement. Previously these funds were carried on the Balance Sheet as a single line for the assets held and a single line for the liabilities. See Note 4 for the impact on the financial statements.

- IFRS 12, 'Disclosure of Interests in Other Entities', requires entities to disclose information that helps financial statement users to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The additional disclosures have been made in these financial statements. See Note 15 and Note 17 for impact on the financial statements.

- IFRS 13, 'Fair Value Measurement'. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The requirements are similar to those in *IFRS 7, 'Financial instruments: Disclosures'*, but apply to all assets and liabilities measured at fair value, not just financial assets and liabilities. The adoption of this standard did not have any significant impact in measurement or disclosure statements.

- Annual Improvements 2011, (effective for annual periods beginning on or after 1 January 2013). The IASB issued its Annual Improvements to IFRSs 2009 – 2011 Cycle which amended five standards. The following amendments may have an impact on the Group: The amendment to IAS 1, 'Presentation of Financial Statements' clarifies that when additional comparative information is provided in the financial statements on a voluntary basis, this information must also be presented in the related notes for that additional information. As a consequence of the amendment to IAS 16, 'Property, Plant and Equipment,' servicing equipment is recognised as property, plant and equipment or as inventory depending on its expected useful life. The amendment to IAS 32, 'Financial Instruments: Presentation' clarifies that the tax effect of distributions to holders of an equity instrument and the transaction costs of an equity transaction must be accounted for in accordance with IAS 12. Pursuant to the amendment to IAS 34, 'Interim Financial Reporting,' information on segment assets and liabilities is only required to be disclosed if such information is regularly provided to the chief operating decision maker and if there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The Group did not have any major changes arising from their adoption.

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
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 year end date, and which the Group has not early adopted. The Group has assessed the relevance of all such new standards, interpretations and amendments, and has determined that the following may be relevant to its operations, and has concluded as follows:

- IAS 32, 'Financial instruments (effective for annual periods beginning on or after 1 January 2014): Presentation', on asset and liability offsetting. These amendments are to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

- IFRS 10, 12 and IAS 27 on consolidation for investment entities (effective for annual periods beginning on or after 1 January 2014). These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

- IAS 36, 'Impairment of assets' (effective for annual periods beginning on or after 1 January 2014). This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

- IFRS 9, 'Financial instruments' (effective for annual periods beginning on or after 1 January 2015). IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 replaces the parts of IAS 39, 'Financial instruments: Recognition and measurement', that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair model option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

  While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted for financial assets without adopting the requirements for financial liabilities. The Group is yet to assess IFRS 9's full impact and the timing of its adoption by the Group.

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)

- IFRIC 21, 'Levies', (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 addresses the accounting for a liability to pay a levy recognised in accordance with *IAS 37, 'Provisions'*, and the liability to pay a levy whose timing and amount is certain. It excludes income taxes within the scope of *IAS 12, 'Income taxes'*. IFRIC 21 indicates that the obligating event that gives rise to a liability to pay a levy is the event identified by the legislation that triggers the obligation to pay the levy. It concludes that the fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern principle, does not create an obligation to pay a levy that will arise from operating in the future. Accordingly, a liability to pay a levy is recognised when the obligating event occurs. This might arise at a point in time or progressively over time. The interpretation also requires that an obligation to pay a levy triggered by a minimum threshold is recognised when the threshold is reached. The Group is assessing the impact of adopting this interpretation.

- Amendment to IAS 19 (effective for annual periods beginning on or after 1 January 2014). This applies to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The Group is assessing the impact of adopting this amendment.

- Annual Improvements 2012, (effective for annual periods beginning on or after 1 July 2014). The IASB issued its Annual Improvements to IFRSs 2010 – 2012 Cycle, which amended seven standards. The following amendments may have an impact on the Group: IFRS 2, 'Share-based payment.' The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'. IFRS 3, 'Business combinations.' The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, 'Financial instruments: Presentation.' The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Consequential changes are also made to IFRS 9, IAS 37 and IAS 39. IFRS 8, 'Operating segments.' The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. IFRS 13, 'Fair value measurement.' The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases. IAS 24, 'Related party disclosures' The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'). The Group is assessing the impact of adopting these amendments.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

- Annual Improvements 2013, (effective for annual periods beginning on or after 1 July 2014). The IASB issued its Annual Improvements to IFRSs 2011 – 2013 Cycle, which amended four standards. The following amendment may have an impact on the Group: IFRS 13, 'Fair value measurement.' The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9). The Group is assessing the impact of adopting these amendments.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

(b) Basis of consolidation

(i) Subsidiaries

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

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

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

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

(ii) Associates

The investments in associated companies, which are not majority-owned or controlled but where significant influence exists, are included in these consolidated financial statements under the equity method of accounting. Investments in associated companies are originally recorded at cost and include intangible assets identified on acquisition.

Accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

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

(iii) Joint ventures

Interest in the assets, liabilities and earnings of jointly controlled ventures are included in these consolidated financial statements using the equity method. Interest in Joint Ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interest in the joint ventures, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. The effect of the change in accounting policies on the financial position, comprehensive income and the cash flows of the group are shown at Note 4.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the Board of Directors.

2. Summary of Significant Accounting Policies (Continued)

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

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

(ii) Transactions and balances

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

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(d) Foreign currency translation (continued)

(iii) Group companies

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses for each income statement are translated at average exchange rates; and

- All resulting exchange differences are recognised as a separate component of stockholders' equity in the currency translation reserve.

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

(e) Cash and cash equivalents

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(f) Financial assets

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

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

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

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

(ii) Loans and receivables

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

(iii) Held-to-maturity

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

(iv) Available-for-sale financial assets

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

2. Summary of Significant Accounting Policies (Continued)

(f) Financial assets (continued)

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(g) Investment properties

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

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

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

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

Rental income is recognised on an accruals basis.

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(i) Leases

(i) As lessee

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

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

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

(ii) As lessor

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

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

(j) Acceptances and guarantees

The Group's potential liability under acceptances and guarantees is reported as commitments off the statement of financial position.

(k) Impairment of assets

(i) Assets carried at amortised cost

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

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the company 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.

2. Summary of Significant Accounting Policies (Continued)

(k) Impairment of assets (continued)

(i) Assets carried at amortised cost (continued)

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 not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes 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 grading process that considers asset type, industry, geographical location, collateral type, 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 debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

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

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.

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

2. Summary of Significant Accounting Policies (Continued)

(k) Impairment of assets (continued)

(i) 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 an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement in impairment charge for credit losses.

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.

(ii) Assets classified as available-for-sale

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from stockholders' equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

(iii) Renegotiated loans

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

(iv) Impairment of non-financial assets

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

2. Summary of Significant Accounting Policies (Continued)

(l) Property, plant and equipment

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

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

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

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

Land is not depreciated.

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

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

(m) Real estate developed for sale

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

2. Summary of Significant Accounting Policies (Continued)

(n) Intangible assets

(i) Goodwill

Goodwill 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 year end 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 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(v)).

(iii) Trademarks and licences

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

(iv) Computer software

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(o) Employee benefits

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

(i) Pension obligations

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

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

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

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

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

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

(ii) Other post-retirement obligations

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

2. Summary of Significant Accounting Policies (Continued)

(o) Employee benefits (continued)

(iii) Annual leave

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

(iv) Share-based compensation

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

Share options

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

Share grants

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

Share purchase plan

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

(v) Productivity bonus plan

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

(vi) Termination benefits

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

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2. Summary of Significant Accounting Policies (Continued)

(p) Pension and investment funds

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

The Group manages a number of segregated pension funds, mutual funds and unit trusts. These funds are segregated and investment returns on these accrue directly to the unit-holders. Consequently the assets, liabilities and activity of these funds are not included in these consolidated holding exist, the group consolidates the assets, liabilities and activities of the fund and accounts for any non-controlling interest as a financial liability.

(q) Share capital

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

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

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

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

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

(r) Special investment reserve

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

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

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

(s) Transfers to retained earnings

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(t) Financial Liabilities

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

Securities sold for re-purchase
Securities sold under agreements to repurchase are recognised initially at fair value and are subsequently stated at amortised cost. Securities sold for re-purchase are treated as collaterised financing transactions. The difference between the sale and re-purchase price is treated as interest and accrued over the life of the agreements using the effective yield method.

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

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

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

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

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

(u) Insurance and investment contracts

(i) Classification

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(u) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

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

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

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

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(u) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

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

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

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

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

Maturities and annuities are accounted for when due.

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

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

Benefits are recorded as an expense when they are incurred.

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(u) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

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

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

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

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

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

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(u) Insurance and investment contracts (continued)

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

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

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(v) Provisions

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

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

(w) Revenue recognition

(i) Premium income

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

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

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

(ii) Fee income

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(w) Revenue recognition (continued)

(iii) Interest income

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

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

(x) Interest expense

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

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

(y) Commissions

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

(z) Taxation

(i) Current and deferred taxes

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(z) Taxation (continued)

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

(ii) Premium taxes
Insures in Jamaica are subject to tax at a rate of 3% on premium revenues generated.

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

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

The fair values of the Group's and the company's financial instruments are discussed in Note 47.

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

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

2. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

(i) Determination of the fair value of subsidiary

In the process of applying the Group's accounting policies, management has made significant judgements regarding the amounts recognised in the financial statements in respect of the fair value of investment in its quoted subsidiary, Sagicor Investments Jamaica Limited, as disclosed in Note 2.

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

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

- Sagicor Real Estate X Fund and Sagicor Pooled Investment Fund

  It was noted that IFRS 10 does not establish bright lines as to what level of exposure definitely result in control and the assessment should be based on relevant facts and circumstances. Determining whether a fund manager has control over the fund they manage, therefore, involves significant judgement. Management consider that the Group does not have control of Sagicor Real Estate X Fund and Sagicor Pooled Investment Fund. Although the Group contractual terms provide the Group with power over Sagicor Real Estate X Fund and Sagicor Pooled Investment Fund Funds, the overall exposure of the Group to the variability of returns of is not sufficient to conclude that the Group has control. Therefore, the Sagicor Real Estate X Fund and Sagicor Pooled Investment Fund have not consolidated in these financial statements

- Sagicor Sigma Funds

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

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

(b) Key sources of estimation uncertainty

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

(i) Insurance

- *The ultimate liability arising from claims made under insurance contracts*

  There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims.

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

  Were the numbers of death in future years to increase per year by 3% for five years from management's estimate, the liability would increase by $2,742,223,000 (2012 - $2,505,069,000).

  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 $12,396,143,000 (2012 - $11,134,082,000).

  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 $4,549,411,000 (2012 - $4,180,217,000).

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

(b) Key sources of estimation uncertainty (continued)

(ii) Pension and post-retirement benefits

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

(iii) Estimated impairment of intangible assets

Goodwill

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

Other intangible assets

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

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

(b) Key sources of estimation uncertainty (continued)

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

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

(v) *Income taxes*

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

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4. Restatement of Comparative Financial Information

Certain comparative figures have been restated due to the adoption of the following interpretations and amendments:

(j) Amalgamating of the results of segregated fund in the accounting records of Sagicor Life Jamaica Limited and Sagicor Life of the Cayman Islands on a line-by-line basis through-out the Statement of Financial Position and the Income Statement.

Segregated funds are unitized funds that are fully segregated from the companies' accounting records but are not separate entities. Since the segregated funds are not deemed separate entities, consolidated was not relevant. Instead, the Funds' assets and liabilities are assets and liabilities of Sagicor Life Jamaica Limited and Sagicor Limited of the Cayman Islands and should be included their financial statements as their assets and liabilities. Previously, the total assets and liabilities of the segregated funds were being disclosed as separate line items on the face of the Statement of Financial Position. The income and expenses of the segregated funds were excluded from the companies' income statements. The policyholders' share all rewards and risks of the performance of the segregated funds.

(ii) *Joint ventures accounted for using the equity method*
The Group has joint control over Sagicor Costa Rica Limited by virtue of its 50% share in the equity shares of the company and the requirement for unanimous consent by all parties over decisions related to the relevant activities of the arrangement. The investment has been classified as a joint venture under IFRS 11 and therefore the equity method of accounting has been used in the consolidated financial statements. Prior to the adoption of IFRS 11, the Group's interest in Sagicor Costa Rica Limited was proportionately consolidated. The Group recognised its investment in the joint venture at the beginning of the earliest period presented (1 January 2012), as the total of the carrying amounts of the assets and liabilities previously proportionately consolidated by the Group. This is the deemed cost of the Group's investment in the joint venture for applying equity accounting.

(iii) Adoption of IAS 19 (revised 2011)
The revised employee benefit standard introduces changes in recognition, measurement, presentation and disclosure of post-employment benefits. The standard also requires net interest expense/income to be calculated as the product of the net defined benefit liability/asset and the discount rate as determined at the beginning of the year. The effect of this is to remove the previous concept of recognizing an expected return on plan assets.

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4. Restatement of Comparative Financial Information (Continued)

The effects of the changes to the accounting policies are shown in the following tables.

Impact of change in accounting policy on consolidated balance sheet

	The Group			The Group		
	2012			2011		
	As previously stated	Effect of Restatement	Restated	As previously stated	Effect of Restatement	Restated
	$'000	$'000	$'000	$'000	$'000	$'000
Cash resources	4,745,237	(501,409)	4,243,828	2,880,173	19,842	2,900,015
Cash resources at Bank of Jamaica	735,494	-	735,494	519,732	-	519,732
Financial Investments	125,599,705	9,594,540	135,194,245	115,764,963	8,704,939	124,469,902
Derivative financial instruments	4,253,104	-	4,253,104	839,420	-	839,420
Loans & leases, after allowance for credit losses	9,391,290	-	9,391,290	9,259,647	-	9,259,647
Pledged assets	3,943,434	-	3,943,434	7,831,016	-	7,831,016
Investment properties	627,731	1,773,095	2,400,826	792,452	1,746,891	2,539,343
Investment in joint venture	-	544,115	544,115	-	-	-
Investment in associated companies	2,725	-	2,725	2,725	-	2,725
Intangible assets	4,165,089	(354)	4,164,735	4,314,637	-	4,314,637
Property, plant and equipment	1,687,846	(3,767)	1,684,079	1,535,046	-	1,535,046
Reinsurance contracts	239,079	-	239,079	240,222	-	240,222
Retirement benefit assets	220,211	(184,482)	35,729	212,955	(113,493)	99,462
Deferred income taxes	19,133	-	19,133	158,723	-	158,723
Taxation recoverable	2,566,172	113,509	2,679,681	1,752,734	114,560	1,867,294
Other assets	4,721,201	279,218	5,000,419	3,378,692	416,582	3,795,274
Segregated funds' assets	12,096,859	(12,096,859)	-	11,615,396	(11,615,396)	-
TOTAL ASSETS	**175,014,310**	**(482,394)**	**174,531,916**	**161,098,533**	**(726,075)**	**160,372,458**

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4. Restatement of Comparative Financial Information (Continued)

Impact of change in accounting policy on consolidated balance sheet (continued)

	The Group			The Group		
	2012			2011		
	As previously stated $'000	Effect of Restatement $'000	Restated $'000	As previously stated $'000	Effect of Restatement $'000	Restated $'000
STOCKHOLDERS' EQUITY AND LIABILITIES:						
Stockholders' Equity Attributable Stockholders' of the Company						
Share capital	7,854,938	-	7,854,938	7,854,938	-	7,854,938
Reserves	5,533,916	200,370	5,734,286	4,459,464	3,951	4,463,415
Retained earnings	19,255,396	10,935	19,266,331	15,975,564	116,697	16,092,261
	32,644,250	211,305	32,855,555	28,289,966	120,648	28,410,614
Non-controlling Interests	1,756,647	2,632	1,759,279	1,763,242	-	1,763,242
Total Equity	34,400,897	213,937	34,614,834	30,053,208	120,648	30,173,856
Liabilities						
Deposit and security liabilities	78,321,142	(275,984)	78,045,158	76,232,905	(466,622)	75,766,283
Derivative financial instruments	4,310,566	-	4,310,566	700,600	-	700,600
Taxation payable	316,418	20,453	336,871	333,059	78,437	411,496
Deferred income taxes	324,942	32,784	357,726	734,057	49,565	783,622
Retirement benefit obligations	1,023,769	(13,571)	1,010,198	851,073	(45,708)	805,365
Other liabilities	3,349,026	(26,874)	3,322,152	4,277,041	(77,719)	4,199,322
Policyholders' Funds						
Segregated funds	12,096,859	(12,096,859)	-	11,615,396	(11,615,396)	-
Insurance contracts liabilities	27,659,725	11,663,720	39,323,445	23,642,467	11,230,720	34,873,187
Investment contracts liabilities	10,796,857	-	10,796,857	10,353,016	-	10,353,016
Other policy liabilities	2,414,109	-	2,414,109	2,305,711	-	2,305,711
Total Liabilities	140,613,413	(696,331)	139,917,082	131,045,325	(846,723)	130,198,602
TOTAL EQUITY AND LIABILITIES	**175,014,310**	**(482,394)**	**174,531,916**	**161,098,533**	**(726,075)**	**160,372,458**

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4. Restatement of Comparative Financial Information (Continued)

Impact of change in accounting policy on consolidated income statement

	The Group 2012			The Group 2011		
	As previously stated $'000	Effect of Restatement $'000	Restated $'000	As previously stated $'000	Effect of Restatement $'000	Restated $'000
Revenue:						
Gross premium revenue	20,330,670	3,430,629	23,761,299	19,366,613	2,896,519	22,263,132
Insurance premium ceded to reinsurers	(800,466)	-	(800,466)	(601,202)	-	(601,202)
Net premium revenue	19,530,204	3,430,629	22,960,833	18,765,411	2,896,519	21,661,930
Net investment income	8,665,470	863,909	9,529,379	7,591,930	1,775,567	9,367,497
Fee and other income	3,279,585	(262,406)	3,017,179	2,312,544	(234,261)	2,078,283
Total revenue	**31,475,259**	**4,032,132**	**35,507,391**	**28,669,885**	**4,437,825**	**33,107,710**
Benefits:						
Insurance benefits incurred	10,506,369	2,731,250	13,237,619	9,195,927	2,408,990	11,604,917
Insurance benefits reinsured	(146,048)	-	(146,048)	(143,876)	-	(143,876)
Net insurance benefits	10,360,321	2,731,250	13,091,571	9,052,051	2,408,990	11,461,041
Net movement in actuarial liabilities	3,403,028	1,272,780	4,675,808	3,263,976	1,793,669	5,057,645
	13,763,349	**4,004,030**	**17,767,379**	**12,316,027**	**4,202,659**	**16,518,686**
Expenses:						
Finance costs	8,255	-	8,255	36,132	-	36,132
Administration expenses	6,631,117	(68,876)	6,562,241	5,973,677	(74,330)	5,899,347
Commission and sales expenses	3,186,483	-	3,186,483	2,897,686	-	2,897,686
Depreciation	215,024	(111)	214,913	192,939	-	192,939
Amortisation of intangible assets	269,131	(33)	269,098	271,134	(5)	271,129
Premium and other taxes	551,052	20,454	571,506	343,614	-	343,614
	10,861,062	**(48,566)**	**10,812,496**	**9,715,182**	**(74,335)**	**9,640,847**

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4. Restatement of Comparative Financial Information (Continued)

Impact of change in accounting policy on consolidated income statement (continued)

	The Group			The Group		
	2012			2011		
	As previously stated $'000	Effect of Restatement $'000	Restated $'000	As previously stated $'000	Effect of Restatement $'000	Restated $'000
Income from operating activities	-	10,767	10,767	-	-	-
Share of income of fair value in joint venture						
Profit before Taxation	**6,850,848**	**87,435**	**6,916,749**	**6,638,676**	**309,501**	**6,948,177**
Taxation	(863,230)	10,767	(855,217)	(884,209)	(232,601)	(1,116,810)
NET PROFIT	**5,987,618**	**98,202**	**6,061,532**	**5,754,467**	**76,900**	**5,831,367**
Attributable to:						
Stockholders of the parent company	5,790,660	98,202	5,864,574	5,522,830	76,900	5,599,730
Non-controlling interests	196,958	-	196,958	231,637	-	231,637
	5,987,618	**98,202**	**6,061,532**	**5,754,467**	**76,900**	**5,831,367**
Earning per stock unit for profit attributable to the stockholders of the company during the year:						
Basic and fully diluted	1.54	0.02	1.56	1.47	-	1.47

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4. Restatement of Comparative Financial Information (Continued)

Impact of change in accounting policy on consolidated statement of comprehensive income

	The Group 2012			The Group 2011		
	As previously stated $'000	Effect of Restatement $'000	Restated $'000	As previously stated $'000	Effect of Restatement $'000	Restated $'000
Net profit for the year	**5,987,618**	**73,914**	**6,061,532**	**5,754,467**	**-**	**5,754,467**
Other comprehensive income:						
Items that may be subsequently reclassified to profit or loss						
Available-to-sale investments						
Unrealised gains on available-for-sale investment	890,196	(38,220)	851,976	890,979	-	890,979
Gains reclassified and reported in profit	(768,714)	38,220	(730,494)	(843,616)	-	(843,616)
Cash flow hedge:						
Gains reclassified and reported in profit	(38,220)	-	(38,220)	(7,762)	-	(7,762)
Retranslation of foreign operations	551,579	196,415	747,994	10,637	-	10,637
Items that will not be classified to profit or loss						
Owner-occupied properties:						
Unrealised (losses)/gains on owner-occupied properties	(56,368)	-	(56,368)	1,980	-	1,980
Re-measurements of retirement benefits obligations	-	(177,044)	(177,044)			
Total other income recognized directly in stockholders' equity, net of taxes	578,473	19,371	597,844	52,218	-	52,218
Total Comprehensive Income	**6,566,091**	**93,285**	**6,659,376**	**5,806,685**	**-**	**5,806,685**
Total Comprehensive Income attributable to:						
Stockholders of the parent company	6,468,107	90,653	6,558,760	5,541,168	-	5,541,168
Non-controlling interests	97,984	2,632	100,616	265,517	-	265,517
	6,566,091	93,285	6,659,376	5,806,685	-	5,806,685

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4. Restatement of Comparative Financial Information (Continued)

Impact of change in accounting policy on consolidated statement of changes in equity

	The Group 2012			The Group 2011		
	As previously stated $'000	Effect of Restatement $'000	Restated $'000	As previously stated $'000	Effect of Restatement $'000	Restated $'000
Net profit for the year	**5,987,618**	**73,914**	**6,061,532**	**5,754,467**	**-**	**5,754,467**
Other comprehensive income:						
Items that may be subsequently reclassified to profit or loss						
Available-to-sale investments						
Unrealised gains on available-for-sale investment	890,196	(38,220)	851,976	890,979	-	890,979
Gains reclassified and reported in profit	(768,714)	38,220	(730,494)	(843,616)	-	(843,616)
Cash flow hedge:						
Gains reclassified and reported in profit	(38,220)	-	(38,220)	(7,762)	-	(7,762)
Retranslation of foreign operations	551,579	196,415	747,994	10,637	-	10,637
Items that will not be classified to profit or loss						
Owner-occupied properties:						
Unrealised (losses)/gains on owner-occupied properties	(56,368)	-	(56,368)	1,980	-	1,980
Re-measurements of retirement benefits obligations	-	(177,044)	(177,044)			
Total other income recognized directly in stockholders' equity, net of taxes	578,473	19,371	597,844	52,218	-	52,218
Total Comprehensive Income	**6,566,091**	**93,285**	**6,659,376**	**5,806,685**	**-**	**5,806,685**
Total Comprehensive Income attributable to:						
Stockholders of the parent company	6,468,107	90,653	6,558,760	5,541,168	-	5,541,168
Non-controlling interests	97,984	2,632	100,616	265,517	-	265,517
	6,566,091	93,285	6,659,376	5,806,685	-	5,806,685

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4. Restatement of Comparative Financial Information (Continued)

Impact of change in accounting policy on statement of cash flows

	The Group		
	2012		
	As previously stated $'000	Effect of Restatement $'000	Restated $'000
Cash Flows from Operating Activities			
Net profit	**5,987,618**	**73,914**	**6,061,532**
Adjustments for:			
Items not affecting cash and changes to policyholders' funds			
Adjustments for non-cash items, interest and dividends	(3,279,106)	(99,688)	(3,378,794)
Changes in other operating assets and liabilities	(5,642,664)	183,288	(5,459,376)
Net investment purchases	(1,120,733)	5,339	(1,115,394)
Interest received	11,544,328	322,506	11,866,834
Interest paid	(4,106,351)	-	(4,106,351)
Taxes paid	(952,829)	(775,524)	(1,728,353)
Net cash generated from operating activities	**2,430,263**	**(290,165)**	**2,140,098**
Cash Flows from Investing Activities			
Investment in Joint venture	-	(555,382)	(555,382)
Purchase of property, plant and equipment, net	(427,887)	8,290	(419,597)
Purchase of intangible assets	(88,933)	1,296	(87,637)
Net cash used in investing activities	**(516,820)**	**(545,796)**	**(1,062,616)**
Cash Flows from Financing Activities			
Dividends paid to stockholders	(2,106,156)	-	(2,106,156)
Dividends paid to non-controlling interests	(105,495)	-	(105,495)
Net cash used in financing activities	**(2,211,651)**	**-**	**(2,211,651)**
Effect of exchange rate on cash and cash equivalents	253,267	-	253,267
Increase/(decrease) in cash and cash equivalents	(44,941)	(835,961)	(880,902)
Cash and cash equivalents at beginning of year	3,343,863	604,030	3,947,893
CASH AND CASH EQUIVALENTS AT END OF YEAR	**3,552,189**	**(231,931)**	**3,066,991**

5. 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.

6. Segmental Financial Information

Management has determined the operating segment based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

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 four primary business segments:

(a) Individual Lines - This includes provision of life insurance, health and annuity products to individuals.

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

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

(d) Other – This comprises property management, captives management, general insurance and stockholders' funds.

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

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

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

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

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

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2013 or 2012.

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6. Segmental Financial Information (Continued)

	The Group					
	2013					
	Individual Lines	Employee Benefits	Banking and Asset Management	Other	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000	$'000
External revenues	16,251,549	20,373,362	3,759,607	1,971,647	-	42,356,165
Revenue from other segments	298,946	3,318	(137,947)	212,577	(376,894)	-
Total revenue	16,550,495	20,376,680	3,621,660	2,184,224	(376,894)	42,356,165
Benefits and expenses	(11,735,986)	(11,786,348)	(1,973,994)	(1,629,280)	353,054	(26,772,554)
Change in actuarial liabilities	(1,849,141)	(5,378,103)	-	-	110,405	(7,476,839)
Depreciation	(80,959)	(34,810)	(52,133)	(41,998)	-	(209,900)
Amortisation of intangibles	(14,861)	(117,693)	(108,905)	(12,761)	-	(254,220)
Finance costs	-	-	-	(25,845)	25,845	-
Premium and other taxes	(377,270)	(61,870)	(113,188)	(64,124)	-	(616,452)
Total benefits and expenses	(14,058,217)	(17,738,824)	(2,248,220)	(1,774,008)	489,304	(35,329,965)
Share of loss from joint venture	-	(10,021)	-	-	-	(10,021)
Share of loss from disposal of associate	-	-	-	(1,716)	-	(1,716)
Profit before taxation	2,492,278	2,627,835	1,373,440	408,500	112,410	7,014,463
Taxation	(75,019)	(243,738)	(309,834)	66,818	-	(561,773)
Net profit	2,417,259	2,384,097	1,063,606	475,318	112,410	6,452,690
Segment assets -						
Intangible assets	1,413,302	1,171,745	1,343,274	87,188	-	4,015,509
Other assets	47,847,554	47,495,950	93,387,446	14,375,523	(9,749,027)	193,357,446
	49,260,856	48,667,695	94,730,720	14,462,711	(9,749,027)	197,372,955
Unallocated assets -						
Investments in joint venture (Note 15)						639,235
Deferred income taxes (Note 22)						298,107
Total assets						198,310,297
Segment liabilities	32,262,865	38,824,262	82,571,030	14,153,559	(9,782,674)	158,029,042
Unallocated liabilities -						
Deferred income taxes (Note 22)						1,144
Retirement benefit obligations (Note 21)						2,659,268
Total liabilities						160,689,454
Other segment items:						
Capital expenditure: Computer software (Note 18)						33,600
Property, plant and equipment (Note 19)						191,396

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6. Segmental Financial Information (Continued)

	The Group					
	2012 Restated					
	Individual Lines	Employee Benefits	Banking and Asset Management	Other	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000	$'000
External revenues	14,665,165	15,150,310	4,153,120	1,538,796	-	35,507,391
Revenue from other segments	(641,957)	10,283	(36,736)	13,061	(628,565)	-
Total revenue	14,023,208	15,160,593	4,116,384	1,551,857	(628,565)	35,507,391
Benefits and expenses	(9,939,737)	(10,075,776)	(1,882,999)	(1,352,935)	402,897	(22,848,550)
Change in actuarial liabilities	(2,686,300)	(2,253,481)	-	-	263,973	(4,675,808)
Depreciation	(88,151)	(39,286)	(50,410)	(37,066)	-	(214,913)
Amortisation of intangibles	(13,371)	(118,784)	(126,140)	(10,803)	-	(269,098)
Finance costs	-	-	-	(23,250)	23,250	-
Premium taxes	(344,246)	(62,505)	(110,271)	(54,484)	-	(571,506)
Total benefits and expenses	(13,071,805)	(12,549,832)	(2,169,820)	(1,478,538)	690,120	(28,579,875)
Share of loss from joint venture	-	(10,767)	-	-	-	(10,767)
Profit before taxation	2,235,317	2,599,994	1,946,564	73,319	61,555	6,916,749
Taxation	(133,500)	(237,867)	(582,457)	98,607	-	(855,217)
Net profit	2,101,817	2,362,127	1,364,107	171,926	61,555	6,061,532
Segment assets -						
Intangible assets	1,341,427	1,285,910	1,439,326	98,072	-	4,164,735
Other assets	42,791,674	35,305,031	87,353,174	9,904,245	(5,588,645)	169,765,479
	44,133,101	36,590,941	88,792,500	10,002,317	(5,588,645)	173,930,214
Unallocated assets -						
Investments in associates (Note 16)						2,725
Investment in joint venture						544,115
Deferred income taxes (Note 22)						19,133
Retirement benefit assets (Note 21)						35,729
						174,531,916
Segment liabilities	29,943,247	28,507,758	75,959,343	9,759,281	(5,620,471)	138,549,158
Unallocated liabilities -						
Deferred income taxes (Note 22)						357,726
Retirement benefit obligations (Note 21)						1,010,198
						139,917,082
Other segment items -						
Capital expenditure: Computer software (Note 18)						87,637
Property, plant and equipment (Note 19)						424,006

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6. Segmental Financial Information (Continued)

The Group's geographic information:

	Jamaica	Cayman Islands	Other	Total
		2013		
	$'000	**$'000**	**$'000**	**$'000**
Revenue	38,979,896	3,369,858	6,411	42,356,165
Total assets	168,611,799	29,052,492	646,006	198,310,297
		2012 Restated		
	$'000	**$'000**	**$'000**	**$'000**
Revenue	32,135,848	3,371,543	-	35,507,391
Total assets	151,143,992	22,843,716	544,208	174,531,916

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

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

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

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7. Cash Resources

	The Group	
	2013	2012 Restated
	$'000	$'000
Balances with banks payable on demand	3,898,330	4,018,375
Cash in hand	184,033	225,453
	4,082,363	4,243,828

8. Cash and Cash Equivalent

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

	The Group	
	2013	2012 Restated
	$'000	$'000
Cash resources	4,082,363	4,243,828
Short term deposits	1,326,925	652,702
Securities purchased under resale agreements	3,816,562	1,269,586
Items in course of payment (Note 34)	(68,364)	(89,962)
Repurchase agreements with other financial institutions	(3,514,101)	(2,868,944)
Bank overdrafts (Note 33)	(198,986)	(140,219)
	5,444,399	3,066,991

The amounts of $1,326,922 (2012: $652,701,000) represent deposits with original maturity of less than 90 days out of the total Group and short-term deposits of $1,334,809 (2012: 659,583,000).

9. Cash Reserves at Bank of Jamaica

A prescribed minimum of 26% (2012 - 26%) of deposit liabilities is required to be maintained by the banking subsidiary in liquid assets, of which 12% (2012 - 12%) must be maintained as cash reserve with the central bank, Bank of Jamaica for Jamaican dollar currency and for the relevant foreign currency at 9% (2012 – 9%). Cash reserves are not available for investment, lending or other use by the Group.

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10. Financial Investments

	The Group	
	2013	Restated 2012
	$'000	$'000
Short term deposits	1,334,809	659,583
Financial assets at fair value through profit or loss -		
Government of Jamaica securities	5,870,792	4,274,663
Corporate bonds	2,395,010	2,171,003
Quoted equity	2,148,361	618,923
Unquoted preference shares	312,904	374,413
Interest receivable	122,640	63,204
Foreign governments securities	18,412	-
Unit trust	8,160,732	6,571,352
	19,028,851	14,073,558
Available-for-sale -		
Government of Jamaica securities	49,729,099	48,284,893
Foreign governments securities	7,925,715	4,702,883
Corporate bonds	33,968,672	22,940,934
Credit Linked notes	2,494,253	2,100,136
Quoted equities	2,887,785	1,036,690
Unquoted equities	76,648	74,625
Unit trust shares	579,007	388,377
Interest receivable	1,414,279	1,388,411
	99,075,458	80,916,949
Loans and receivables -		
Government of Jamaica securities	35,165,270	34,452,080
Foreign governments securities	81,696	70,385
Securities purchased under resale agreement	4,315,409	1,804,556
Mortgage loans	2,350,710	1,650,319
Promissory notes	48,000	1,599,049
Policy loans	891,007	794,867
Interest receivable	635,207	1,262,429
	43,487,299	41,633,685
Held to maturity investments -		
Credit Linked notes	2,141,115	1,853,904
Less Pledged assets (Note 13)	(3,278,856)	(3,943,434)
Total Financial Investments	161,788,676	135,194,245

Included in unquoted preference shares are Equity Linked (ELP) and Dividend linked (DLP) preference shares. The ELP will provide returns based on the capital gains/loss from movement in the price of a listed stock and the DLP will provide returns based on the dividend income of the same stock. The terms of the unquoted preference shares provide for ELPs to receive twice the capital gain or loss from movement in the price of the underlying listed stock while the DLPs receive none of the capital gains or loss.

10. Financial Investments (Continued)

Included in quoted equities classified as available-for-sale are investments in Exchange Traded Funds (ETFs) by the Group totaling $3,477,175,000 (2012 - $1,075,467,000).

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

Included in promissory notes for the Group are loans with principal of Nil (2012 - $1,559,145,000) due from the company's ultimate parent, Sagicor Financial Corporation. The loans attract interest rates of 6.5% - 8.5% per annum and were settled in December 2013.

Included in Government of Jamaica debt securities is a Euro dollar promissory note which has been designated as financial asset at fair value through profit or loss. The Group has also entered into a cross currency swap to mitigate the currency risk associated with this security (Note 11).

The Group holds certain Government of Jamaica debt securities which were issued in February 2013 and mature in February 2024. The terms of these securities contain an investor put option exercisable in February 2018 under which the holder may require the Government of Jamaica to redeem the securities at 100% of the principal value plus any accrued interest. This embedded put option has not been separated but is recognised as part of fair value of the debt security. The initial recognition of the option is included in the determination of the "Loss on debt exchange transactions" and gains and losses on subsequent revaluations of the option are included in Note 40. The value of these options is $504,213,000 for the Group.

The Group recognised impairment charges totaling $7,851,000 (2012 - $5,117,000) on equity securities (Note 40).

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

(a) Government of Jamaica Fixed Rate Benchmark Note with a carrying value of $9,000,000 (2012 - $9,000,000) which have been pledged by the company as security for uncleared effects with the National Commercial Bank Jamaica Limited.

(b) Government of Jamaica Fixed Rate Benchmark Note with a carrying value of $90,000,000, (2012 - $90,000,000) which have been pledged by the company with the Regulator, the Financial Services Commission, pursuant to Section 8 of the Insurance Regulations, 2001.

(c) Kingdom of Bahrain bond with a carrying value of US$1,030,000, a Republic of Italy bond with a carrying value of US$1,185,384, a Government of Bermuda bond with a carrying value of US$1,075,000, a Common Wealth of Bahamas bond with a carrying value of US$4,578,000, a Government of Cayman Islands bond with a carrying value of US$7,770,000, Government of Trinidad and Tobago bonds with a carrying value of US$11,441,360, Government of Jamaica Global bonds with a carrying value of US$27,249,130, a Petroleum Company of Trinidad & Tobago Limited Corporate bond with a carrying value of US$3,488,519 and International Corporate bonds with a carrying value of US$3,007,530 have been pledged by the company as security for a loan facility of US$37,000,000 with UBS AG London.

10. Financial Investments (Continued)

(d) International Corporate bonds with a carrying value of US$97,711,622, a Trinidad and Tobago Corporate bond with a carrying value of US846,000, Equities with a carrying value of US$5,439,266 and Royal Bank of Scotland Corporate bonds with a carrying value of US$1,218,924 have been pledged as security for margin loans of US$64,676,936 with Morgan Stanley Smith Barney by one of the company's subsidiaries, Sagicor Life of the Cayman Islands Ltd.

(e) International Corporate bonds with a carrying value of US$24,980,396, a Government of Barbados Corporate bond with carrying value of US$104,922 and Equities with a carrying value of US$2,538,566 have been pledged as security for margin loans of US$10,114,183 with Oppenheimer & Co. Inc. by one of the company's subsidiaries, Sagicor Life of the Cayman Islands Ltd.

(f) Petroleum Company of Trinidad & Tobago Limited Corporate bond with a carrying value of US$1,252,500 (2012 – US$1,329,000), a Government of Barbados bond with a carrying value of US$262,304 (2012 – US$263,457), International Corporate bonds with a carrying value of US$12,348,486 (2012 – US$12,987,799) and a Royal Bank of Scotland Corporate bond with a carrying value of US$1,152,325 (2012 – US$1,181,640) have been pledged as security with Credit Suisse NY for a loan facility of US$8,049,687 (2012 – US$8,057,742) by one of the company's subsidiaries, Sagicor Life of the Cayman Islands Ltd.

(g) International Corporate bonds with a carrying value of US$39,516,684, Equities with a carrying value of US$4,029,886, International Municipal bonds with a carrying value of US$2,310,519 and a Royal Bank of Scotland Corporate bond with a carrying value of US$504,048 have been pledged as security for margin loans of US$6,859,576 with Morgan Stanley Smith Barney by the company Sagicor Life Jamaica Ltd.

(h) International Corporate bonds with a carrying value of US$12,988,071, Equities with a carrying value of US$6,054,517, a Government of Barbados Corporate bond with a carrying value US$37,750, a Federal Republic of Brazil bond with a carrying value of US$97,000, a Government of Costa Rica bond with a carrying value of US$45,750, a Government of Dominica Republic bond with a carrying value of US$54,000, a Government of Republic of El Salvador bond with a carrying value of US$48,700 and a Government of Republic of Panama bond with a carrying value of US$55,875 have been pledged as security for margin loans of US$2,484,591 with Oppenheimer by the company Sagicor Life Jamaica Ltd.

Reclassification of Financial Investments

In the financial year ended 31 December 2008, the Group reclassified certain investments from available-for-sale to loans and receivables in accordance with the amendment to IAS 39.

	The Group			
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
	2013	**2013**	**2012**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Government of Jamaica securities	5,360,285	5,183,005	4,666,465	4,732,571
Other securities	81,696	47,230	70,385	59,127
	5,441,981	5,230,235	4,736,850	4,791,698

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10. Financial Investments (Continued)

	The Group	
	2013	**2012**
	$'000	**$'000**
Cumulative net fair value losses at beginning of year	(357,229)	(911,706)
Net fair value gains/(losses) for the year	(303,839)	583,186
Disposals	-	34,237
Effect of exchange rate changes	(52,037)	(62,946)
Cumulative net fair value losses at end of year	(713,105)	(357,229)

There was no reclassification of financial assets during the year.

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

	The Group	
	2013	**2012**
	$'000	**$'000**
Interest income	462,881	417,049
Foreign exchange gains	648,386	295,543
	1,111,267	712,592

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11. Derivative Financial Instruments and Hedging Activity

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

	The Group	
	2013	2012
Derivatives - Assets	$'000	$'000
(f) Currency forwards	284,407	257,187
(ii) Cross currency swap	2,646,127	3,952,001
(iii) Equity indexed options	89,063	43,916
	3,019,597	4,253,104
Derivatives - Liabilities		
(i) Currency forwards	292,854	245,055
(ii) Cross currency swap	2,789,049	4,021,595
(iii) Equity indexed options	89,038	43,916
	3,170,941	4,310,566

(i) Currency forwards

Currency forwards represent commitments to buy US dollars and sell Euro dollars totalling €2,000,000 (2012 - €2,000,000) to be settled on a gross basis at a future date at a specified price. The credit risk is evaluated for each contract and is collateralised where deemed necessary. The currency forward contracts are settled on a gross basis. The contract expires in November 2014.

(ii) Cross currency swap

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

(iii) Equity indexed options

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

(iv) Interest rate swap and hedging activity – cash flow hedge

In 2010, hedge accounting was discontinued as the hedge relationship was no longer effective.

The contract was closed in February 2012. Accordingly, the remaining unamortised gains included in the fair value reserve were reclassified to the net trading income. The amount reclassified, net of deferred taxation, was $39,897,000 in 2012.

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12. Loans and Leases, after Allowance for Credit Losses

	The Group	
	2013	**2012**
	$'000	**$'000**
Gross loans	10,847,164	9,450,247
Less: Allowance for credit losses	(236,632)	(215,902)
	10,610,532	9,234,345
Loan interest receivable	99,795	96,019
	10,710,327	9,330,364
Lease receivables	110,874	60,926
	10,821,201	9,391,290

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

	The Group			
	Loans		Leases	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Total non-performing loans/leases	522,510	517,556	27,387	32,011
Balance at beginning of year	215,902	230,315	24,024	20,664
Movement during the year -				
Charged against profit during the year	64,546	75,882	(8,303)	3,360
Recoveries of bad debts	(5,387)	(67,627)	-	-
Charged in the income statement	59,159	8,255	(8,303)	3,360
Write-offs	(42,362)	(31,244)	-	-
Currency revaluation adjustment	3,933	8,576	-	-
Balance at end of year	236,632	215,902	15,721	24,024

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

Lease receivables:

	The Group	
	2013	**2012**
	$'000	**$'000**
Gross investment in finance leases -		
Not later than one year	108,982	82,989
Later than one year and not later than five years	53,783	21,890
	162,765	104,879
Less: Unearned income	(37,497)	(21,222)
Net investment in finance leases	125,268	83,657
Net investment in finance leases -		
Not later than one year	64,234	68,488
Later than one year and not later than five years	61,034	15,169
	125,268	83,657
Less: Provision for credit losses	(15,721)	(24,024)
Interest receivable	1,327	1,293
	110,874	60,926

13. Pledged Assets

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

	The Group			
	Asset		Related Liability	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Balance with regulators	124,363	120,006	-	-
Investment securities and securities sold under repurchase agreements	90,695,442	72,564,213	75,846,825	67,683,281
	90,819,805	72,684,219	75,846,825	67,683,281

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	
	2013	**2012**
	$'000	**$'000**
Investment securities	3,278,856	3,943,434

14. Investment Properties

	The Group	
	2013	Restated 2012
	$'000	$'000
At beginning of year	2,400,826	2,539,343
Acquired during the year	142,035	28,148
Disposed during the year	(1,799,595)	(122,000)
Fair value (losses)/gains	2,000	(63,515)
Foreign exchange gains	37,079	18,850
At end of year	782,345	2,400,826

The investment properties as at 31 December 2013 were valued at current market value by Clinton Cunningham & Associates, qualified property appraisers and valuers.

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

	The Group	
	2013	Restated 2012
	$'000	$'000
Rental income	3,093	141,813
Direct operating expenses	(38,045)	(68,247)

15. Investment in Joint Venture

	The Group	
	2013	Restated 2012
	$'000	$'000
At 1 January	544,115	-
Capital injection	26,512	555,382
Share of losses	(10,021)	(10,767)
Movement in other reserves	78,629	(500)
At 31 December	639,235	544,115

During 2012, the company injected its 50% share of capital in the joint venture company, Sagicor Costa Rica SCR, S.A., through its wholly-owned subsidiary, Sagicor St. Lucia Limited. At the end of 2013, the company's share of capital invested was US$6.25 million (2012-US$6 million).

In February 2013, the Costa Rica Regulatory Authorities gave final approval for the Sagicor Costa Rica SCR, S.A. to operate as an insurance company.

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15. Investment in Joint Venture (Continued)

During the year the company adopted accounting for Joint Ventures on the equity basis retroactively. Previously such entities were being accounted for on a proportionate consolidation basis.

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

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

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

Summarised Financial Information of Joint Venture

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

Summarised Balance Sheet

	The Group	
	2013	**2012**
	$'000	**$'000**
Current assets		
Cash and cash equivalents	92,685	1,018,916
Other current assets	77,626	647
	170,311	1,019,563
Non-current assets		
Investments	1,105,287	-
Other non-current asset	25,769	36,840
	1,131,056	36,840
Total Assets	1,301,367	1,056,403
Current liabilities		
Provision for unearned premiums	18,220	-
Other liabilities	5,773	27,294
	23,993	27,294
Non current liabilities		
Other liabilities	3,845	4,532
Total Liabilities	27,838	31,826
Net Assets	1,273,529	1,024,577

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15. Investment in Joint Venture (Continued)

Summarised Financial Information of Joint Venture (Continued)

Summarised statement of comprehensive income

	The Group	
	2013	**2012**
	$'000	**$'000**
Insurance revenue	93,125	-
Insurance expenses	(55,465)	-
Underwriting profit	37,660	-
Other income	54,482	-
Operating expenses	(122,624)	(21,534)
Net loss	(30,482)	(21,534)
Taxation	10,440	-
	(20,042)	(21,534)
Other comprehensive income	218,982	(1,000)
Total comprehensive income	198,940	(22,534)

Reconciliation of summarised financial information

	2013	2012
Opening net assets at 1 January	1,088,230	-
Capital injection	54,952	1,110,764
Net loss for the period	(20,042)	(21,534)
Other comprehensive income	155,330	(1,000)
Closing net assets	1,278,470	1,088,230
Interest in joint venture at 50%	639,235	544,115
Carrying value	639,235	544,115

16. Investment in Associated Company

Name of Company	Principal Activity	Equity Capital held by Company
(a) St. Andrew Developers Limited	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	
	2013	**2012**
	$'000	**$'000**
Shares, at cost	-	2
Share of post-acquisition reserves	-	(2,501)
Loans and current accounts	-	5,224
	-	2,725

During the year, St. Andrew Developers Limited was liquidated and there was a loss on disposal, the Group's share being $1,716,000.

	The Group
	2013
	$'000
Investment in Associates	2,725
Amount received on liquidation	(1,009)
Net loss on disposal of Associate	1,716

17. Investment in Subsidiaries

(a) Non-controlling interests

The list of the company's subsidiaries are outlined in Note 1. The total non-controlling interest is in relation to Sagicor Investments Jamaica Limited (SIJL) and represents 14.55% of the entity's share capital. The total non-controlling interest for the period is $1,695,002,000 (2012 - $1,759,279,000).

Summarised financial information on subsidiary with material non-controlling interests

Summarised Balance Sheet (SIJL)

	The Group	
	2013	**2012**
	$'000	**$'000**
Assets		
Cash and cash equivalents	3,190,187	2,123,499
Financial assets	87,729,982	81,065,167
Other current assets	3,557,757	5,045,518
Total Assets	94,477,926	88,234,184
Liabilities		
Financial liabilities	81,124,319	74,444,484
Other liabilities	1,633,866	1,754,149
Total Liabilities	82,758,185	76,198,633
Net Assets	11,719,741	12,035,551

Summarised statement of comprehensive income (SIJL)

	The Group	
	2013	**2012**
	$'000	**$'000**
Interest income	6,047,171	6,301,456
Interest expense	(3,195,300)	(3,284,422)
Other income	769,788	1,099,350
	3,621,659	4,116,384
Operating expenses	2,149,213	2,066,261
Taxation	(309,833)	(587,839)
Net profit	1,162,613	1,462,284
Other comprehensive income	(609,134)	(690,080)
Total comprehensive income	553,479	772,204

Sagicor Group Jamaica Limited

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17. Investment in Subsidiaries (Continued)

(a) Non-controlling interest (continued)
Summarised Cash Flow (SIJL)

	The Group	
	2013	**2012**
	$'000	**$'000**
Cash flow from operating activities:		
Cash from generated from operating activities	(2,129,224)	(1,727,933)
Interest received	5,946,843	6,310,770
Interest paid	(3,259,582)	(3,84,400)
Net cash provided by operating activities	558,037	1,012,520
Net cash used in investing activities	(77,062)	(244,718)
Net cash provided by financing/(used in) activities	100,337	(979,164)
Effect of exchange rate changes on cash and cash equivalents	485,376	249,366
Net increase in cash and cash equivalents	1,066,688	38,004
Cash and cash equivalents at beginning of year	2,123,499	2,085,495
CASH AND CASH EQUIVALENTS AT END OF YEAR	3,190,187	2,123,499

The information above is the amount before inter-company eliminations.

(b) Investment in subsidiaries

	2013
	$'000
Shares in Sagicor Life Jamaica Limited (i)	34,257,354
Sagicor St. Lucia Limited (ii)	563,181
Sagicor Insurance Brokers Limited	32,181
Sagicor International Administrators Limited	5,783
Sagicor Pooled Investments Limited	1
	34,858,500

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

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

18. Intangible Assets

	The Group				
	Goodwill	Contractual Customer Relationship	Trade Names	Computer Software	Total
	$'000	$'000	$'000	$'000	$'000
Cost -					
At 1 January 2012	2,027,875	3,414,499	473,433	698,257	6,614,064
Additions	-	-	-	87,637	87,637
Disposal	-	-	-	(2,117)	(2,117)
Reclassification	-	-	-	27,953	27,953
Translation adjustment	32,759	-	-	67	32,826
At 31 December 2012	2,060,634	3,414,499	473,433	811,797	6,760,363
Additions	-	-	-	33,600	33,600
Translation adjustment	71,356	-	-	48	71,404
At 31 December 2013	2,131,990	3,414,499	473,433	845,445	6,865,367
Amortisation -					
At 1 January 2012	-	1,282,419	473,433	543,575	2,299,427
Amortisation charge	-	206,468	-	62,630	269,098
Reclassification	-	-	-	27,040	27,040
Translation adjustment	-	-	-	63	63
At 31 December 2012	-	1,488,887	473,433	633,308	2,595,628
Amortisation charge	-	206,468	-	47,752	254,220
Translation adjustment	-	-	-	10	10
At 31 December 2013	-	1,695,355	473,433	681,070	2,849,858
Net Book Value -					
31 December 2012	2,060,634	1,925,612	-	178,489	4,164,735
31 December 2013	2,131,990	1,719,144	-	164,375	4,015,509

Sagicor Group Jamaica Limited

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18. Intangible Assets (Continued)

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

	The Group	
	2013	**2012**
	$000	**$000**
Sagicor Life Jamaica Individual Lines Division	855,191	855,191
Sagicor Life Jamaica Employee Benefits Division	530,126	530,126
Sagicor Life of the Cayman Islands Individual Lines Division	529,066	461,798
Sagicor Investments Jamaica Limited (formerly Pan Caribbean Financial Services Limited)	186,066	186,066
Sagicor Insurance Managers Ltd.	31,541	27,453
	2,131,990	2,060,634

For the year ended 31 December 2013, management tested goodwill allocated to Sagicor Group Jamaica Individual Lines Division, Sagicor Life Jamaica Employee Benefits Division, Sagicor Life of the Cayman Islands Individual Lines Division, Sagicor Insurance Managers Ltd. and Sagicor Investments Jamaica Limited for impairment.

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

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

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

Key assumptions used for the impairment calculations are as follows:

	Earnings Multiple	**Earnings Growth Rate**	**Capital Expenditure to EBT**	**Discount Rate**
Sagicor Life Jamaica Individual Life Division	6.60	-	-	-
Sagicor Life Jamaica Employee Benefits Division	7.20	-	-	-
Sagicor Life of the Cayman Islands Individual Life Division	8.30	-	-	-
Sagicor Investments Jamaica Limited	-	5.00%	9.00%	19.58%
Sagicor Insurance Managers Ltd.	-	2.00%	-	13.68%

19. Property, Plant and Equipment

	The Group				
	Leasehold Buildings & Improvements	Freehold Land & Buildings	Furniture & Equipment	Motor Vehicles	Total
	$'000	$'000	$'000	$'000	$'000
Cost or Valuation -					
At 1 January 2012 (restated)	415,476	847,855	1,242,783	100,421	2,606,535
Additions	154,196	98,577	120,970	50,263	424,006
Revaluation adjustments	-	(66,842)	-	-	(66,842)
Disposals	(26)	-	(7,248)	(21,955)	(29,229)
Reclassification	-	-	48,940	2,420	51,360
Translation adjustment	2,386	-	2,829	142	5,357
At 31 December 2012 (restated)	572,032	879,590	1,408,274	131,291	2,991,187
Additions	37,330	15,539	131,049	7,478	191,396
Revaluation adjustments	-	97,617	-	-	97,617
Disposals	-	(96,000)	(10,114)	(34,460)	(140,574)
Reclassification	-	-	287	(287)	-
Translation adjustment	1,417	-	2,169	318	3,904
At 31 December 2013	610,779	896,746	1,531,665	104,340	3,143,530
Accumulated Depreciation -					
At 1 January 2012 (restated)	170,115	1,254	830,395	69,719	1,071,483
Charges for the year	45,215	6,367	144,656	18,675	214,913
Relieved on revalued assets	-	(6,874)	-	-	(6,874)
Relieved on disposals	(5)	-	(5,747)	(20,780)	(26,532)
Reclassification	-	-	48,941	2,420	51,361
Translation adjustment	705	-	1,996	56	2,757
At 31 December 2012 (restated)	216,030	747	1,020,241	70,090	1,307,108
Charges for the year	56,584	9,608	125,320	18,388	209,900
Relieved on revalued assets	-	(9,608)	-	-	(9,608)
Relieved on disposals	-	-	(9,769)	(34,460)	(44,229)
Reclassification	-	-	91	(91)	-
Translation adjustment	1,918	-	1,675	193	3,786
At 31 December 2013	274,532	747	1,137,558	54,120	1,466,957
Net Book Value -					
31 December 2012 (restated)	356,002	878,843	388,033	61,201	1,684,079
31 December 2013	336,247	895,999	394,107	50,220	1,676,573

19. Property, Plant and Equipment (Continued)

In accordance with the Group's policy, owner-occupied properties were independently revalued during the year by professional real estate valuators. The excess of the carrying value of these property, plant and equipment over the revaluation on such date, amounting to $107,225,000 (2012 - $59,966,000), has been credited to investment and fair value reserves.

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

	The Group	
	2013	**2012**
	$'000	**$'000**
Cost	493,480	517,101
Accumulated depreciation	(30,000)	(27,300)
Net book value	463,480	489,801
Carrying value of revalued assets	895,999	878,843

20. Reinsurance Contracts

	The Group	
	2013	**2012**
	$'000	**$'000**
Claims recoverable from reinsurers	131,801	131,032
Unearned premiums ceded to reinsurers	116,987	101,283
Reinsurers share of insurance liabilities	13,922	6,764
	262,710	239,079

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

21. Retirement Benefits

	The Group	
	2013	**2012**
	$'000	**$'000**
Retirement benefit assets -		
Pension scheme	-	35,729
Retirement benefit obligations -		
Pension scheme	1,151,189	160,379
Other post-retirement benefits	1,508,079	849,819
	2,659,268	1,010,198

Pension schemes comprised the following –

	The Group	
	2013	**2012**
	$'000	**$'000**
Retirement benefit assets	-	(35,729)
Retirement benefit obligations	1,151,189	160,379
	1,151,189	124,650

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 (2009) was 103%.

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

(iii) Sagicor Investments Jamaica Limited 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 (2010) was 93%.

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

The Trustees of the pension schemes ensure benefits are funded, benefits are paid, assets invested to maximise returns subject to acceptable investment risks while considering the liability profile.

Any plan surplus or funding deficiency for the defined benefits plans as determined by independent actuaries annually using the Projected Unit Credit Method are absorbed by the Group.

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21. Retirement Benefits (Continued)

(b) Pension schemes

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

	The Group	
	2013	**2012**
	$'000	**$'000**
Present value of funded obligations	9,453,057	7,376,028
Fair value of plan assets	(8,301,868)	(7,251,378)
Deficit of funded plan	1,151,189	124,650
Liability in the balance sheet	1,151,189	124,650

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

	The Group	
	2013	**2012**
	$'000	**$'000**
Liability, as previously reported	7,376,028	6,503,376
Current service cost	302,442	246,380
Interest cost	691,373	572,778
Net expense recognised in income	993,815	819,158
Re-measurements:		
Losses from changes in demographic assumptions	557,899	-
Losses/(gains) from changes in financial assumptions	686,505	(263,937)
(Gains)/losses from changes in experience	(249,760)	354,759
Net losses recognised in other comprehensive income	994,644	90,822
Contributions by the members	289,956	257,163
Value of purchased annuities	70,225	126,280
Benefits paid	(271,612)	(420,771)
Net Liability, end of year	9,453,056	7,376,028

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21. Retirement Benefits (Continued)

(c) Pension schemes (continued)

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

	The Group	
	2013	**2012**
	$'000	**$'000**
Balance, as previously reported	7,251,378	6,600,818
Contributions made by the employer	235,350	216,075
Contributions by the members	289,956	257,163
Value of purchased annuities	70,226	126,280
Benefits paid	(271,612)	(420,771)
Interest income on plan assets	702,913	611,080
Re-measurement:		
Losses from changes in demographic assumptions	123,744	-
Losses/(gains) from changes in financial assumptions	56,254	(31,620)
Gains from changes in experience	(156,341)	(107,647)
Net losses/(gains) recognised in other comprehensive income	23,657	(139,267)
Balance, end of year	8,301,868	7,251,378

The amounts recognised in the income statements as follows:

	The Group	
	2013	**2012**
	$'000	**$'000**
Current service cost	302,442	246,380
Interest cost on plan obligation	691,373	572,778
Interest income on plan assets	(702,913)	(611,080)
Total, included in staff cost (Note 44)	290,902	206,024

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21. Retirement Benefits (Continued)

(a) Pension schemes (continued)

The amounts recognised in other comprehensive income is as follows:

	The Group	
	2013	**2012**
	$'000	**$'000**
Change in demographic assumptions	434,155	-
Change in financial assumptions	630,251	(232,317)
Experience adjustments	(93,419)	462,406
	970,987	230,089
Deferred tax	(100,824)	-
	870,163	230,089

The principal actuarial assumptions used were as follows:

	The Group	
	2013	**2012**
Discount rate - J$ benefits	9.50%	10.50%
Discount rate - US$ Indexed benefits	6.50%	8.00%
Net discount rate	8.50%	9.50%
Inflation	5.00%	6.00%
Investment fees	1.00%	1.00%
Administrative fees	1.00%	1.00%
Expected return on plan assets	9.50%	9.50%
Future salary increases	6.00%	7.00%
Future pension increases	2.00%	2.00%
Investment fees	1.00%	1.00%
Administrative expenses	1.00%	1.00%
Minimum Funding Rate (MFR) as a % of payroll	0.25%	0.25%
Average expected remaining working lives (years)	17	17

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21. Retirement Benefits (Continued)

(a) Pension schemes (continued)

Pension plan assets are comprised as follows:

	The Group			
	2013		**2012**	
	$'000	**%**	**$'000**	**%**
Equities	1,671,276	20	1,672,266	23
Mortgages and real estate	1,349,281	16	938,087	13
Money market fund	999,809	12	1,300,331	18
Fixed income fund	1,366,719	17	1,137,931	16
Foreign currency fund	1,276,438	15	1,031,977	14
Inflation-linked	426,883	5	221,766	3
	7,090,406	85	6,302,358	87
Value of purchased annuities	1,211,462	15	949,020	13
	8,301,868	100	7,251,378	100

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

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21. Retirement Benefits (Continued)

(b) Other post-retirement benefits

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

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

	The Group	
	2013	**2012**
	$'000	**$'000**
Present value of unfunded obligations	1,634,467	964,197
Fair value of plan assets	(126,388)	(114,378)
Liability in the statement of financial position	1,508,079	849,819

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

	The Group	
	2013	**2012**
	$'000	**$'000**
Liability at beginning of year, as previously reported	964,197	910,240
Current service cost	144,624	49,688
Interest cost	99,741	89,605
Net expense recognised in income	244,365	139,293
Re-measurement:		
Losses from changes in demographic assumptions	163,409	-
Losses/(gains) from changes in financial assumptions	163,288	(64,236)
Losses from changes in experience	128,514	7,980
Net losses/(gains) recognised in other comprehensive income	455,211	(56,256)
Benefits paid	(29,306)	(29,080)
Net Liability, end of year	1,634,467	964,197

The principal actuarial assumption used was as follows:

	The Group	
	2013	**2012**
Rate of medical inflation	8%	8%

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21. Retirement Benefits (Continued)

(b) Other post-retirement benefits (continued)

The amounts recognised in the income statements as follows:

	The Group	
	2013	**2012**
	$'000	**$'000**
Current service cost	144,624	49,688
Interest cost	99,741	89,605
Benefits paid	(29,306)	(29,080)
Total, included in staff cost (Note 44)	215,059	110,213

The amounts recognised in other comprehensive income is as follows:

	The Group	
	2013	**2012**
	$'000	**$'000**
Change in demographic assumptions	163,409	-
Change in financial assumptions	163,288	(64,236)
Experience adjustments	128,513	11,191
	455,210	(53,045)
Deferred tax	(38,552)	-
	416,658	(53,045)

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

	The Group	
	2013	**2012**
	$'000	**$'000**
Balance, as previously reported	114,378	106,895
Interest income on plan assets	12,010	10,690
Re-measurement:		
Gains from changes in experience	-	(3,207)
Balance, end of year	126,388	114,378

21. Retirement Benefits (Continued)

(c) Plan risks

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

The most significant of these plan risks are detailed below:

(i) Investment risk

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

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

(ii) Changes in bond yields

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

(iii) Salary risk

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

(iv) Life expectancy

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

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21. Retirement Benefits (Continued)

(d) Sensitivity tests

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

	Decrease by 1% Increase/ (Decrease) in Health & Life benefits $'000	Increase by 1% Increase/ (Decrease) in Health & Life benefits $'000
Sagicor Life Jamaica Limited	(212,932)	275,501
Sagicor Property Services Limited	(8,325)	8,299
Sagicor Investments Jamaica Limited	(34,293)	47,963
Total Group	(253,550)	331,763

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

	Decrease by 1% Increase/ (Decrease) in Pension benefits $'000	Decrease by 1% Increase/ (Decrease) in Health & Life benefits $'000	Total $'000
Sagicor Life Jamaica Limited	796,209	293,530	1,089,739
Sagicor Property Services Limited	36,707	8,628	45,335
Sagicor Investments Jamaica Limited	119,742	41,091	160,833
Total Group	952,658	343,249	1,295,907

	Increase by 1% Increase/ (Decrease) in Pension benefits $'000	Increase by 1% Increase/ (Decrease) in Health & Life benefits $'000	Total $'000
Sagicor Life Jamaica Limited	(611,413)	(224,736)	(836,149)
Sagicor Property Services Limited	(28,303)	(6,506)	(34,809)
Sagicor Investments Jamaica Limited	(90,478)	(30,335)	(120,813)
Total Group	(730,194)	(261,577)	(991,771)

21. Retirement Benefits (Continued)

(d) Sensitivity tests (continued)

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

	Decrease by 1% Increase/ (Decrease) in Pension benefits S'000	Increase by 1% Increase/ (Decrease) in Pension benefits S'000
Sagicor Life Jamaica Limited	(282,341)	334,188
Sagicor Property Services Limited	(13,380)	15,408
Sagicor Investments Jamaica Limited	(44,215)	50,793
Total Group	(339,936)	400,389

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

The Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension scheme. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Bank has not changed the processes used to manage its risks from previous periods. The Group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2013 consists of bonds and equities.

The weighted average duration of liability of the defined benefit obligation is as follows:

	2013 Years	2012 Years
Active members	14	15
Deferred pensioners	17	21

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22. Deferred Income Taxes

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

(a) 25% for the company;
(b) 15% for Sagicor Life Jamaica Limited
(b) 33⅓% for Sagicor Investments Jamaica Limited and
(c) 25% for Sagicor Property Services Limited.

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

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

	The Group	
		Restated
	2013	2012
	$'000	$'000
Deferred income tax assets, net	(298,107)	(19,133)
Deferred income tax liabilities, net	1,144	357,726
	(296,963)	338,593

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

	The Group	
		Restated
	2013	2012
	$'000	$'000
Deferred income tax assets	(608,289)	(190,514)
Deferred income tax liabilities	311,326	529,107
	(296,963)	338,593

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

	The Group	
		Restated
	2013	2012
	$'000	$'000
Balance as at 1 January	338,593	624,899
Charged/(credited) to the income statement (Note 46(a))	(188,072)	62,620
Tax charged/(credited) to components in other comprehensive income (Note 46(c))	(421,514)	(348,926)
Prior year adjustment	(25,970)	-
Balance as at 31 December	(296,963)	338,593

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22. Deferred Income Taxes (Continued)

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

	The Group	
	2013	**Restated 2012**
	$'000	**$'000**
Deferred income tax assets -		
Property, plant and equipment	(3,167)	(1,078)
Investment securities - available-for-sale	(247,342)	(38,358)
Pensions and other post-retirement benefits	(268,118)	(74,277)
Interest payable	(329)	(23,019)
Tax losses unused	(16,921)	(12,841)
Derivatives	(49,853)	-
Currency swaps	-	(21,555)
Other	(22,559)	(19,386)
	(608,289)	(190,514)
Deferred income tax liabilities -		
Property, plant and equipment	37,657	74,539
Trading securities	12,419	69,393
Investment securities - available-for-sale	-	76,437
Impairment losses on loans	47,487	51,219
Interest receivable	52,196	75,578
Unrealised foreign exchange gains	161,567	149,157
Other	-	32,784
	311,326	529,107
Net deferred tax (asset) / liability	(296,963)	338,593

22. Deferred Income Taxes (Continued)

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

	The Group						
	Property, plant and equipment $'000	Fair value gains $'000	Unrealised foreign exchange gains $'000	Loan loss provision $'000	Post-employment benefits $'000	Other $'000	Total $'000
At 1 January 2012 (restated)	23,258	452,324	83,993	50,682	(61,920)	76,562	624,899
(Credited)/charged to income statement	53,798	(20,069)	61,914	-	(12,357)	(20,666)	62,620
Charged to other comprehensive income	(3,598)	(345,328)	-	-	-	-	(348,926)
At 31 December 2012 (restated)	73,458	86,927	145,907	50,682	(74,277)	55,896	338,593
(Credited)/charged to income statement	(42,121)	(86,288)	8,887	-	(60,497)	(8,053)	(188,072)
Credited to other comprehensive income	3,153	(388,911)	-	-	(35,756)	-	(421,514)
At 31 December 2013	34,490	(388,272)	154,794	50,682	(164,497)	15,840	(296,963)

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23. Other Assets

	The Group		The Company	
	2013	Restated 2012	2013	2012
	$'000	$'000	$'000	$'000
Due from sales representatives	340,712	402,408	-	-
Real estate developed for resale -				
Opening balance	1,014,286	715,371	-	-
Cost of sales	(147,219)	(73,805)	-	-
Additions during the year	20,261	372,720	-	-
	887,328	1,014,286	-	-
Premiums due and unpaid	1,700,066	1,500,729	-	-
Due from related parties (Note 24)	212,772	1,245,632	-	-
Due from Government Employees Administrative Scheme Only Fund and Government Pensioners Administrative Scheme Only Fund	282,448	113,163	-	-
Prepayments	536,120	297,966	-	-
Customer settlements accounts	36,835	18,585	-	-
Other receivables	559,285	651,972	116,559	-
	4,555,566	5,244,741	116,559	-
Provision against doubtful receivables	(231,163)	(244,322)	-	-
	4,324,403	5,000,419	116,559	-

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

24. Related Party Balances and Transactions

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

The Group is controlled by Sagicor Financial Corporation, a company incorporated and domiciled in Barbados, which owns 51.00% (2012 – 51.00%) of the ordinary stock units. Pan-Jamaican Investment Trust Limited owns 32.76% (2012 – 32.76%) of the ordinary stock units. The remaining 16.24% (2012 - 16.24%) of the stock units is widely held.

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

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

	The Group	
	2013	Restated 2012
	$'000	$'000
Financial investments -		
Ultimate parent company	-	1,559,145
Due from related companies -		
Ultimate parent company	61,614	365,627
Parent company	43,851	43,166
Subsidiary companies	-	6,002
Pooled Pension Investment Funds	8,904	626,387
Other related companies	98,271	158,680
Other managed funds	132	45,770
	212,772	1,245,632

	The Group	
	2013	Restated 2012
	$'000	$'000
Due to related companies -		
Parent company	34,930	6,983
Other related companies	1,016	11,997
Other managed funds	160,182	69,352
	196,128	88,332

24. Related Party Balances and Transactions (Continued)

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

	The Group	
		Restated
	2013	2012
	$'000	$'000
Ultimate parent company -		
Investment income	141,257	117,242
Parent company -		
Shared services fees	97,662	61,580
Party with significant influence over the group -		
Securities sold under agreements to repurchase	(196,197)	(514,559)
Customer deposits	(67,595)	(80,230)
Loans	7,244	23,471

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

	The Group	
		Restated
	2013	2012
	$'000	$'000
Sagicor Pooled Investment Funds -		
Lease rental expense	325,347	276,114
Management fee income	552,007	474,213
Administration fee income	191,038	282,947
Directors and key management personnel -		
Interest expense	3,962	6,940
Other related parties -		
Interest and other income earned	241,868	19,453
Key management compensation -		
Salaries and other short term benefits	490,387	493,196
Share based payments	211,814	196,780
Contributions to pensions and insurance schemes	28,354	20,793
	730,555	710,769

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24. Related Party Balances and Transactions (Continued)

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

	The Group	
	2013	Restated 2012
	$'000	$'000
Directors' emoluments -		
Fees	87,354	43,478
Other expenses	3,796	5,018
Management remuneration (included above)	127,881	94,269
	219,031	142,765
Party with significant influence over the group -		
Fee income earned	1,875	32,500
Rent and net lease	(118,220)	(117,894)
Interest expense paid	(3,670)	(9,092)
Interest income earned	1,516	3,157

25. Share Capital

	The Group	
	2013	2012
	$'000	$'000
Authorised:		
13,598,340,000 (2012 – 13,598,340,000) Ordinary shares		
Issued and fully paid:		
3,760,992,000 (2012 – 3,760,992,000) Ordinary shares at no par	7,854,938	7,854,938

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26. Equity Reserves

		\\------Attributable to owners of the parent------\\								
			Investment and Fair Value Reserves			Other Reserves				
	Note	Stock Options Reserve	Available-for-sale fair value reserve	Owner occupied properties fair value reserve	Currency Translation Reserve	Capital redemption reserve	Special investment reserve	Loan Loss Reserve	Retained earnings reserve	Grand Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 January 2012 (as previously reported)		95,893	300,656	487,519	1,145,786	1,086,018	161,070	80,461	1,102,061	4,459,464
Effects of changes in accounting policies										
Segregated funds reserves	4	-	-	-	3,951	-	-	-	-	3,951
Balance at 1 January 2012(restated)		95,893	300,656	487,519	1,149,737	1,086,018	161,070	80,461	1,102,061	4,463,415
Net gains recycled to revenue on disposal and maturity of available-for-sale securities		-	(728,337)	-	-	-	-	-	-	(728,337)
Net unrealised gains on available-for-sale securities		-	914,601	-	-	-	-	-	-	914,601
Net unrealised losses on revaluation of owner occupied properties		-	-	(59,966)	-	-	-	-	-	(59,966)
Deferred tax on unrealised capital gains		-	(6,649)	3,598	-	-	-	-	-	(3,051)
Impairment of equities		-	5,355	-	-	-	-	-	-	5,355
Currency translation		-	(2,734)	-	747,994	-	-	-	-	745,260
Total comprehensive income for the year		**-**	**182,236**	**(56,368)**	**747,994**	**-**	**-**	**-**	**-**	**873,862**

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26. Equity Reserves (Continued)

		\---Attributable to owners of the parent---\								
			Investment and Fair Value Reserves			Other Reserves				
	Note	Stock Options Reserve	Available-for-sale fair value reserve	Owner occupied properties fair value reserve	Currency Translation Reserve	Capital redemption reserve	Special investment reserve	Loan Loss Reserve	Retained earnings reserve	Grand Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total comprehensive income for the year		**-**	**182,236**	**(56,368)**	**747,994**	**-**	**-**	**-**	**-**	**873,862**
Transactions with owners -										
Employee share option scheme - value of services provided		29,723	-	-	-	-	-	-	-	29,719
Employee stock grants and options exercised/expired		(37,386)	-	-	-	-	-	-	-	(37,386)
Total transactions with owners		(7,663)	-	-	-	-	-	-	-	(7,667)
Transfers between reserves -										
To retained earnings reserve	30 (c)	-	-	-	-	-	-	-	427,250	427,250
To special investment reserve	2(r)	-	-	-	-	-	5,603	-	-	5,603
To retained earnings	2(s)	-	(30,108)	-	-	-	-	-	-	(30,108)
Adjustment between regulatory loan provisioning and IFRS	30(b)	-	-	-	-	-	-	1,927	-	1,927
Total transfers between reserves		-	(30,108)	-	-	-	5,603	1,927	427,250	404,672
Balance at 31 December 2012 (restated)		88,230	452,784	431,151	1,897,731	1,086,018	166,673	82,388	1,529,311	5,734,286

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26. Equity Reserves (Continued)

	Note	Stock Options Reserve	Available-for-sale fair value reserve	Owner occupied properties fair value reserve	Currency Translation Reserve	Capital redemption reserve	Special investment reserve	Loan Loss Reserve	Retained earnings reserve	Grand Total
		\-------------	Attributable to owners of the parent						-------------\	
			Investment and Fair Value Reserves			Other Reserves				
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 31 December 2012 (restated)		88,230	452,784	431,151	1,697,361	1,086,018	166,673	82,388	1,529,311	5,533,916
Segregated funds reserves		-	-	-	200,370	-	-	-	-	200,370
Balance at 1 January 2013 (restated)		88,230	452,784	431,151	1,897,731	1,086,018	166,673	82,388	1,529,311	5,734,286
Net gains recycled to revenue on disposal and maturity of available-for-sale securities		-	(1,062,870)	-	-	-	-	-	-	(1,062,870)
Net unrealised gains on available-for-sale securities		-	(983,298)	-	-	-	-	-	-	(983,298)
Net unrealised losses on revaluation of owner occupied properties		-	-	111,427	-	-	-	-	-	111,427
Deferred tax on unrealised capital gains		-	30,520	(3,153)	-	-	-	-	-	27,367
Impairment of equities		-	7,851	-	-	-	-	-	-	7,851
Currency translation		-	47,463	35,025	1,345,070	-	-	-	-	1,427,568
Total comprehensive income for the year		**-**	**(1,960,334)**	**143,299**	**1,345,070**	**-**	**-**	**-**	**-**	**(471,965)**

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26. Equity Reserves (Continued)

		Attributable to owners of the parent								
			Investment and Fair Value Reserves			Other Reserves				
	Note	Stock Options Reserve	Available-for-sale fair value reserve	Owner occupied properties fair value reserve	Currency Translation Reserve	Capital redemption reserve	Special investment reserve	Loan Loss Reserve	Retained earnings reserve	Grand Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total comprehensive income for the year		**-**	**(1,960,334)**	**143,299**	**1,345,070**	**-**	**-**	**-**	**-**	**(471,965)**
Transactions with owners -										
Employee share option scheme - value of services provided		34,529	-	-	-	-	-	-	-	34,529
Employee stock grants and options exercised/expired		(6,196)	-	-	-	-	-	-	-	(6,196)
Total transactions with owners		28,333	-	-	-	-	-	-	-	28,333
Transfers between reserves -										
To special investment reserve	2(r)	-	-	-	-	-	-	-	65,820	65,820
To retained earnings	2(s)	-	(17,863)	-	-	-	-	4,822	-	(13,041)
Adjustment between regulatory loan provisioning and IFRS	30(b)	-	-	-	-	-	-	-	-	-
Total transfers between reserves		-	(17,863)	-	-	-	-	4,822	65,820	52,779
Balance at 31 December 2013		116,563	(1,525,413)	574,450	3,242,801	1,086,018	166,673	87,210	1,595,131	5,343,433

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27. Stock Options Reserve

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

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

In December 2013, the Sagicor Group of companies in Jamaica was reorganized to establish a new holding company which directly or indirectly carries the Group's holdings in member companies. As a consequence SLJ was delisted from the Jamaica Stock Exchange (JSE) and Sagicor Group Jamaica Limited (SGJ) was listed. Further, to harmonize compensation plans across the Group and considering the pending delisting of the subsidiary, Sagicor Investments Jamaica Limited (SIJL), all outstanding options in SIJL as at December 2013 were converted to corresponding SGJ options with equivalent monetary value. From the 2013 measure year, all executives of the Group participate in the SGJ LTI plan.

Summary of Sagicor Jamaica Investments Jamaica Limited's options which were converted to Sagicor Group Jamaica Limited's options

Measurement Year	Original grant date of SIJL options	Original SIJL exercise price	Number of SIJL options	Converted SGJ exercise price	Number of new SGJ options	Expiration date of new SGJ options
2006	March 2007	18.00	2,259,072	11.14	3,649,711	March 2014
2007	March 2008	20.50	1,919,173	11.84	3,321,771	March 2015
2008	March 2009	12.20	3,182,118	7.66	5,069,770	March 2016
2009	March 2010	18.00	2,345,601	10.45	4,039,454	March 2017
2010	March 2011	19.20	1,947,778	10.96	3,413,274	March 2018
2011	March 2012	26.48	965,139	14.10	1,813,036	March 2019
			12,618,881		21,307,016	

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27. Stock Options Reserve (Continued)

Details of the combined share options outstanding are as follows:

	Sagicor Group Jamaica Limited			
	2013		2012	
	Options (thousands)	Weighted Average exercise price in $ per share	Options (thousands)	Weighted Average exercise price in $ per share
At beginning of year	44,590	6.39	48,122	6.18
Granted - 2011			7,968	7.52
- 2012	9,611	10.75	-	-
Converted options	21,307	10.51	-	-
Expired	(1,836)	6.50	(3,335)	6.99
Exercised	(1,524)	4.82	(8,165)	5.98
At end of year	72,148	8.22	44,590	6.39
Exercisable at the end of the period	55,885	7.92	25,821	6.49

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

	Converted Options					
	Exercise	2013	Exercise	2013	Exercise	2012
Expiry Date	Price	$'000	Price	$'000	Price	$'000
March 2014	11.14	3,650	-	-	-	-
March 2015	11.84	3,322	7.92	5,496	7.92	5,827
March 2016	7.66	5,070	7.92	4,016	7.92	4,294
March 2017	10.45	4,039	4.20	10,217	4.20	11,919
March 2018	10.96	3,413	6.51	13,737	6.51	14,582
March 2019	14.10	1,183	7.52	7,852	7.52	7,968
March 2020	-	-	10.75	9,523	-	-
	10.51	21,307	7.26	50,841	6.39	44,590

For options outstanding at the end of the year, exercise prices range from $4.20 to $14.10 (2012 - $4.20 to $7.92). The remaining contractual terms range from 3 months to 7 years (2012 – 1 to 6 years).

The weighted average share price for options exercised during the year was $4.82 (2012 - $5.98) and the Group's share of the cost of these options was $6,790,000 (2012 - $39,838,000).

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27. Stock Options Reserve (Continued)

The stock options reserve balance at the year-end represents the accumulated fair value of services provided by employees in consideration for shares, as measured by reference to the fair value of the shares. The fair value of the options granted during the year as determined using the Black-Scholes valuation model was $16,146,000. The significant inputs into the model were share price of $10.75, dividend yield of 5.49%, standard deviation of the expected share price returns of 25%, and annual risk free interest rate of 7.65%. The expected volatility is based on statistical analysis of month end share prices over the preceding seven years. The fair value of the converted options as determined using the Black-Scholes Valuation Model was $43,811,000.

The Group recognized cumulative expenses of $116,559,000 in the Stock Option Reserves (2012 – 88,226,000) and share options expense of $102,939,000 (2012 - $107,528,000) in the income statement.

The Group also has in place a share purchase plan which enables its administrative and sales staff to purchase a pool of Sagicor Group Jamaica Limited shares at a predetermined discount rate of the closing bid price on December 31 each year. During 2013, the Staff Share Purchase Plan Trust purchased 3,417,136 shares over the Stock Exchange for a total value of $28,380,000. There is no cost to the Group as the discounted shares will be transferred in 2014. At the point at which the shares are transferred to staff, the Subsidiary Companies recognize their share of the cost of those shares in the income statement.

28. Investment and Fair Value Reserve

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

	The Group	
	2013	**2012**
	$000	**$000**
Owner-occupied properties	574,450	431,151
Unrealised gains on available-for-sale securities	(1,525,413)	452,784
	(950,963)	883,935

29. Currency Translation Reserve

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

30. Other Reserves

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

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

30. Other Reserves (Continued)

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

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

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

31. Dividends Declared

	The Group	
	2013	**2012**
	$'000	**$'000**
First interim dividend – 19 cents per share (2012 – 28 cents per share)	714,588	1,053,078
Second interim dividend – 21 cents per share (2012 – 28 cents per share)	789,808	1,053,078
	1,504,396	2,106,156

The dividends paid for 2013 and 2012 represented a dividend per stock unit of $0.40 and $0.56 respectively.

32. Net Profit and Retained Earnings

		Restated
	2013	**2012**
	$'000	**$'000**
(i) Net profit / (losses)dealt with in the financial statements of:		
The company	(19,488)	-
The subsidiaries	6,562,178	6,061,532
	6,452,690	6,061,532
(ii) Retained earnings / (Accumulated deficit) reflected in the financial statements of:		
The company	(19,488)	-
The subsidiaries	22,746,958	19,266,331
	22,727,470	19,266,331

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33. Deposit and Security Liabilities

	The Group		The Company	
	2013	Restated 2012	2013	2012
	$'000	$'000	$'000	$'000
Securities sold under repurchase agreements	55,630,546	55,333,734	-	-
Due to banks and other financial institutions (i)	16,716,280	10,767,058	-	-
Customer deposits and other accounts	11,881,676	11,090,266	-	-
Structured products (ii)	1,841,222	854,100	-	-
Promissory notes (iii)	-	-	601,145	-
	86,069,724	78,045,158	601,145	-

	Interest Rate (%)	Maturity Period	2013 $'000	Restated 2012 $'000
(I) Due to banks and other financial institutions:				
Long term loans:				
Development Bank of Jamaica Limited	various	various	820,799	215,791
European Investment Bank	various	2015	90,808	175,202
The National Export-Import Bank of Jamaica Limited	8-13		23,914	77,753
National Housing Trust NHT	various		751,713	684,929
Credit Suisse NY	7.25	2014	853,646	745,855
Short term loans:				
National Commercial Bank Jamaica Limited	6.5	2014	600,107	-
Citibank N.A.	1.75	2014	530,261	-
UBS AG London	3.452 - 3.714	2014	3,923,743	3,704,528
Oppenheimer & Co. Inc.	2 - 4.25	2014	1,336,064	449,173
Morgan Stanley Smith Barney	1.08 - 1.17	2014	7,586,239	4,573,608
Bank overdraft:				
National Commercial Bank Jamaica Limited			197,893	140,219
Sagicor Bank Jamaica Limited			1,093	-
			16,716,280	10,767,058

33. Deposit and Security Liabilities (Continued)

(I) Due to banks and other financial institutions

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

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

b) European Investment Bank (EIB)
A facility was established in the amount €4,000,000 on 20 December 2002 for the provision of financing to small and medium sized projects in the productive and related service sectors in Jamaica. The loan is disbursed to SIJL in tranches. The drawdowns may be done in US$ or J$. The loan is repayable in the Euro equivalent of the outstanding loan balance by 7 equal installments commencing 5 December 2008.

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

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

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

e) Bank Overdrafts
The bank overdraft balance represents book overdraft at year end. The actual balances at bank were positive at year end.

f) UBS AG, London
This represents a loan facility received from UBS London in the amount of US$37,000,000 by Sagicor Life Jamaica Limited. The loan attracts an interest rate of one month LIBOR plus 3.4% per annum and is secured by a Kingdom of Bahrain bond totaling US$1,030,000, a Republic of Italy bond totaling US$1,185,384, a Government of Bermuda bond totaling US$1,075,000, a Common Wealth of Bahamas bond totaling US$4,578,000, a Government of Cayman Islands bond totaling US$7,770,000, Government of Trinidad and Tobago bonds totaling US$11,441,360, Government of Jamaica Global bonds totaling US$27,249,130, Petroleum Company of Trinidad and Tobago Limited Corporate bonds totaling US$3,488,519 and International Corporate bonds totaling US$3,007,530.

33. Deposit and Security Liabilities (Continued)

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

g) *Oppenheimer & Co. Inc.*
This represents amounts due to the broker for securities purchased by Sagicor Life Jamaica Limited (SLJ) and Sagicor Life of the Cayman Islands Limited (SLC) under margin loan facilities. The facilities with SLJ attract interest rates ranging from 2% to 4.25%. These loans are repayable on demand and secured by International Corporate bonds totaling US$12,988,071, Equities totaling US$6,054,517, a Federal Republic of Brazil bond totaling US$97,000, a Government of Costa Rica bond totaling US$45,750, a Government of Dominica Republic bond totaling US$54,000, a Government of Republic of El Salvador bond totaling US$48,700, a Government of Republic of Panama bond totaling US$55,875 and a Government of Barbados Corporate bond totaling US$37,750.

The facilities with SLC attract an interest rate of 2%; these loans are repayable on demand and secured by International Corporate bonds totaling US$24,980,396, Equity totaling US$2,538,566 and a Government of Barbados Corporate bond totaling US$104,922.

h) *Morgan Stanley Smith Barney*
This represents amounts due to the broker for securities purchased by Sagicor Life Jamaica Limited (SLJ) and Sagicor Life of the Cayman Islands Limited (SLC) under margin loan facilities. The facilities with SLJ attract interest rates ranging from 1.08% to 1.17%. These loans are repayable on demand and secured by International Corporate bonds totaling US$39,516,684, Equities totaling US$4,029,886, International Municipal bonds totaling US$2,310,519 and a Royal Bank of Scotland bond totaling US$504,048.

The facilities with SLC attract interest rates ranging from 1.08% to 1.17%; these loans are repayable on demand and secured by a Government of Trinidad and Tobago bond totaling US$846,000, International Corporate bonds totaling US$97,711,622, Royal Bank of Scotland Corporate bonds totaling US$1,218,924 and Equities totaling US$5,439,266.

i) *Credit Suisse NY*
This represents a fixed rate loan at interest rate of 7.25%. The loan is secured by International Corporate bonds totaling US$12,348,486, a Royal Bank of Scotland Corporate bond totaling US$1,152,325, a Petroleum Company Trinidad and Tobago Corporate bond US$1,252,500 and a Government of Barbados Corporate bond totaling US$262,304. This loan is repayable in one installment on 21 August 2014.

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

(ii) Structured products

	2013	**2012**
	$'000	**$'000**
Principal protected notes -		
With no interest guaranteed	267,424	315,566
With interest guaranteed	1,478,898	394,512
7.15% US dollar amortising notes	94,900	144,022
	1,841,222	854,100

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33. Deposit and Security Liabilities (Continued)

(ii) Structured products (continued)

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

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

(iii) Promissory notes

	The Company	
	2013	2012
	$'000	$'000
		-
Sagicor Insurance Brokers Limited	32,181	-
Sagicor International Administrators Limited	5,783	-
Sagicor St. Lucia Limited	563,181	-
	601,145	-

The above represent promissory notes that have been issued with respect to the reorganization of the Group, see Note 1 (b) for further details. The promissory notes have been issued to one of the Group's subsidiaries, Sagicor Life Jamaica Limited, for consideration for the value of the above subsidiaries whose ownership has been transferred from the previous parent company, Sagicor Life Jamaica Limited to the new holding company, Sagicor Group Jamaica Limited. The promissory notes are unsecured and attract interest at 5% per annum and mature June 2015.

34. Other Liabilities

	The Group		The Company	
		Restated		
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Accounts payable and accruals	570,008	532,121	-	-
Accrued vacation	87,973	65,488	-	-
Annuities payable	722	1,082	-	-
Dividends payable	81,811	69,636	-	-
Due to related parties (Note 24)	196,128	88,332	-	-
Due to brokers and agents	151,257	194,171	-	-
Bonus payable	323,466	341,130	-	-
Premiums not applied	1,147,418	889,736	-	-
Reinsurance payable	131,556	87,637	-	-
Mortgage principal and real estate payables	272,076	312,217	-	-
Customer settlement accounts	207,407	77,081	-	-
Regulatory fees and Statutory payables	123,765	115,805	-	-
Items in course of payment	68,364	89,962	-	-
Fees received in advance	12,864	5,299	-	-
Unearned reinsurance commissions	8,177	7,047	-	-
Miscellaneous	472,564	445,408	19,489	-
	3,855,556	3,322,152	19,489	-

35. Insurance Contract Liabilities

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

	The Group	
	2013	2012
	$'000	$'000
Group annuities	27,975,080	20,742,390
Group insurance	4,105,167	3,869,404
Individual insurance	16,485,484	14,711,651
Total	48,565,731	39,323,445

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35. Insurance Contract Liabilities (Continued)

(b) Movements in insurance liabilities:

	The Group			
	2013			
	Group Annuities	Individual Insurance	Group Insurance	Total
	$'000	$'000	$'000	$'000
Balance at the beginning of the year	20,742,390	14,711,650	3,869,405	39,323,445
Normal changes in policyholders' liabilities (Note 35(d))	5,577,931	1,669,820	229,088	7,476,839
Changes as a result of revaluation	1,654,756	104,018	6,673	1,765,447
Balance at end of year	27,975,077	16,485,488	4,105,166	48,565,731

	The Group			
	2012			
	Group Annuities	Individual Insurance	Group Insurance	Total
	$'000	$'000	$'000	$'000
Balance at the beginning of the year	17,778,500	13,305,787	3,788,900	34,873,187
Normal changes in policyholders' liabilities (Note 35(d))	2,434,773	2,163,533	77,502	4,675,808
Change in valuation	-	(1,009,044)	-	(1,009,044)
Changes as a result of revaluation	529,117	251,374	3,003	783,494
Balance at end of year	20,742,390	14,711,650	2,860,361	39,323,445

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35. Insurance Contract Liabilities (Continued)

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

	The Group				
	2013				
	Insurance	Pensions and Annuities	Other Liabilities	Capital and Surplus	Total
	$'000	$'000	$'000	$'000	$'000
Quoted equities	15,754,421	-	-	3,145,914	18,900,335
Investment properties	-	-	-	782,345	782,345
Fixed income securities	26,314,177	34,097,781	81,325,345	1,748,589	143,485,888
Mortgages	365,216	1,037,732	-	947,762	2,350,710
Other assets	1,021,093	-	773,375	30,996,553	32,791,020
	43,455,226	35,135,513	82,098,716	37,620,843	198,310,297

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

	The Group				
	2012				
	Insurance	Pensions and Annuities	Other Liabilities	Capital and Surplus	Total
	$'000	$'000	$'000	$'000	$'000
Quoted equities	11,528,742	-	-	1,499,692	13,028,434
Investment properties	1,773,095	-	-	627,731	2,400,826
Fixed income securities	22,557,597	25,411,058	65,862,151	10,839,448	124,670,254
Mortgages	486,598	1,058,485	-	105,236	1,650,319
Other assets	1,025,782	-	10,213,574	21,542,727	32,782,084
	37,371,814	26,469,543	76,075,725	34,614,834	174,531,916

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35. Insurance Contract Liabilities (Continued)

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

	The Group			
	2013			
	Group Annuities	Individual Insurance	Group Insurance	Total
	$'000	$'000	$'000	$'000
Change in assumed investment yields and inflation rate	60,247	245,338	36,772	342,357
Change due to the issuance of new policies and the decrements on in-force policies	7,073,916	3,354,263	46,724	10,474,903
Change due to other actuarial assumptions	(1,556,232)	(1,929,783)	145,594	(3,340,421)
	5,577,931	1,669,818	229,090	7,476,839
	2012			
Change in assumed investment yields and inflation rate	297,140	1,211,048	832	1,509,020
Change due to the issuance of new policies and the decrements on in-force policies	2,628,781	811,762	23,698	3,464,241
Change due to other actuarial assumptions	(491,148)	140,723	52,972	(297,453)
	2,434,773	2,163,533	77,502	4,675,808

35. Insurance Contract Liabilities (Continued)

(e) Policy assumptions

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

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

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

Life Insurance and Annuity Contracts

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

(ii) Mortality and morbidity
The assumptions are based on past group and industry experience. For individual life policies the Group bases its assumption on the Canadian Institute of Actuaries 86-92 male and female aggregate mortality tables which are 15 year select and ultimate mortality tables. For accidental death and dismemberment benefits the Group bases its assumptions on the 1959 Accidental Death Benefit table for rider benefits and the Canadian Population Accident 1990-1992 sex distinct table for coupon products. Critical illness incidence rates are based on British population sex-distinct incidence rates developed by the Institute of Actuaries. Group annuitant mortality is based on the Society of Actuaries 1994 Group Annuitant male and female basic mortality tables with projection scale AA for improvements in mortality. Individual Annuitant mortality is based on the Society of Actuaries 2012 Individual Annuitant male and female Period mortality tables with projection scale G2 beyond 2012 for improvements in mortality.

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

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

35. Insurance Contracts Liabilities (Continued)

(e) Policy assumptions (continued)

Life Insurance and Annuity Contracts (continued)

(v) Policy expenses
Policy maintenance expenses are derived from the Group's own internal cost studies projected into the future with an allowance for inflation. All expenses, including overhead, are functionally allocated by line of business, between the administration of the business and the acquisition of the business. All expenses related to the administration of the business are used to determine the policy maintenance unit costs. No expenses related to the acquisition of the business are included in the unit expense assumption used in the valuation of the actuarial liabilities. Interest sensitive and Universal life policies are assumed to be twice as costly to administer as traditional life policies. The inflation assumption is kept consistent with the investment assumption. The initial inflation rate is based on average calendar year inflation over the last 3 years and declines over the life of the policies such that real returns after 30 years are between 0.8% and 1.8%.

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

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

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

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

36. Investment Contract Liabilities

	The Group	
	2013	Restated 2012
	$'000	$'000
Amortised cost -		
Amounts on deposit	9,583,001	7,032,761
Deposit administration fund	3,150,075	3,271,323
Other investment contracts	527,217	492,773
	13,260,293	10,796,857

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	
	2013	2012
	$'000	$'000
Balance at the beginning of the year	3,271,323	3,030,867
Deposits received	384,246	442,412
Interest earned	200,345	227,324
Service charges	(29,493)	(29,232)
Withdrawals	(677,741)	(401,086)
Revaluation adjustment	1,395	1,038
Balance at the end of the year	3,150,075	3,271,323

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 187 (2012 - 160) clients in the company. The average interest rate paid by the company during the year was 5.97% (2012 – 6.55%).

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37. Other Policy Liabilities

	The Group	
	2013	**2012**
	$'000	**$'000**
Insurance benefits payable	1,821,228	1,586,601
Provision for unearned premiums	124,216	107,593
Policy dividends and other funds on deposit	766,980	719,915
	2,712,424	2,414,109

38. Investment Contracts Benefits

Benefits from unit linked investment contracts without fixed terms for the Group amounting to $3,178,180,000 (2012 - $2,731,251,000) 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.

39. Premium Income

(a) Gross premiums by line of business:

	The Group	
		Restated
	2013	**2012**
	$'000	**$'000**
Group insurance -		
Group creditor life	530,395	522,253
Group health	7,371,105	6,377,052
Group life	1,660,004	1,678,414
	9,561,504	8,577,719
Individual insurance -		
Individual life -		
Insurance premium	9,475,163	8,764,119
Segregated funds contributions	4,216,834	3,430,629
Individual health	358,043	319,410
Individual annuities	117,229	131,403
	14,167,269	12,645,561
Bulk annuities	4,819,193	428,536
Annuities	1,291,602	1,871,003
Property and casualty	306,051	238,480
	30,145,619	23,761,299

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39. Premium Income (Continued)

(b) Reinsurance premiums by line of business:

	The Group	
	2013	Restated 2012
	$'000	$'000
Group insurance -		
Group health	179,438	175,532
Group life	90,213	92,621
	269,651	268,153
Individual life	331,314	282,953
Property and casualty	320,158	249,360
	921,123	800,466
Net premiums	29,224,496	22,960,833

(c) Net premiums by geography:

	The Group	
	2013	Restated 2012
	$'000	$'000
Jamaica	27,664,892	21,800,310
Cayman Islands	1,559,604	1,160,523
	29,224,496	22,960,833

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40. Net Investment Income

	The Group	
	2013	**Restated 2012**
	$'000	**$'000**
Interest income -		
Short term deposits	10,831	11,672
Corporate debentures	1,927,973	1,498,003
Investment securities	8,644,571	9,012,845
Loans	1,117,757	1,075,557
Policy loans	79,609	81,378
Government securities purchased under resale agreements	109,146	69,010
Other	24,015	17,141
Dividends	47,200	28,344
Loss on debt exchange transactions	(1,038,817)	-
Net realised gains on investment securities	1,851,485	1,835,894
Other investment (losses)/income	(23,060)	11,722
	12,750,710	13,641,566
Impairment of equity investments	(7,851)	(5,117)
Interest expense-		
Customer deposits and repurchase liabilities	(3,046,889)	(3,018,331)
Due to banks and other financial institutions	(57,872)	(118,027)
Investment contracts	(591,463)	(574,270)
Other	(261,666)	(396,442)
	(3,957,890)	(4,107,070)
Net investment income	8,784,969	9,529,379

Loss on debt exchange transactions

In February, the Group participated in the National Debt Exchange (NDX) and a Private Debt Exchange (PDX) conducted by the Government of Jamaica. These involved the non-cash exchange of existing notes with a face value of $60,651,448,000 for the Group for new, longer-dated debt instruments with lower coupon rates (new notes) of equivalent face value. Certain new notes issued under the PDX included instruments with embedded put options (Note 10).

The loss arising on the exchanges represents the difference between the carrying value of the existing notes and the fair value of the new notes (including the value of the embedded put option) at the date of exchange.

41. Fee and Other Income

	The Group 2013 $'000	The Group Restated 2012 $'000
Administration fees	1,285,968	928,867
Other		
Surrender charges	157,433	124,772
Wholesale banking fees	6,029	5,380
Credit related fees, net	86,942	32,933
Stockbrokerage fees	20,167	40,118
Treasury fees	11,298	19,388
Trust fees	43,967	50,321
Corporate finance fees	21,977	44,314
Other operating income	2,675,501	1,735,815
Miscellaneous fees	37,418	35,271
	4,346,700	3,017,179

42. Insurance Benefits and Claims

	The Group			
	2013			2012 Restated
	Gross incurred $'000	Reinsured $'000	Net $'000	Net Claims $'000
Death and disability	2,325,461	(86,956)	2,238,505	1,729,894
Maturities	35,075	-	35,075	9,858
Surrenders and withdrawals	1,101,281	-	1,101,281	968,186
Segregated funds withdrawals	3,178,100	-	3,178,100	2,731,250
Annuities and pensions	2,523,396	-	2,523,396	2,097,922
Policy dividends and bonuses	55,987	-	55,987	45,463
Health insurance	6,284,235	(141,053)	6,143,182	5,128,682
Other benefits	491,124	(12,153)	478,971	380,316
	15,994,659	(240,162)	15,754,497	13,091,571

43. Finance Costs

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

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44. Administration Expenses

	The Group		The Company	
	2013	**Restated 2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Auditors' remuneration -				
Current year	65,716	60,477	3,500	-
Prior year	350	(365)	-	-
Office accommodation	701,276	589,448	-	-
Communication and technology	567,614	446,693	-	-
Advertising and branding	241,123	332,692	-	-
Sales convention and incentives	135,229	96,689	-	-
Postage, printing and office supplies	118,792	109,964	-	-
Policy stamp duties and reimbursements	48,122	38,472	-	-
Regulators fees	183,511	147,878	-	-
Directors costs	32,292	48,496	-	-
Legal and professional fees	127,134	126,731	12,500	-
Legal claims	216,676	45,617	-	-
Services outsourced	343,084	371,561	-	-
Other expenses	527,607	493,936	3,488	-
Staff cost (a)	4,014,122	3,653,952	-	-
	7,322,648	6,562,241	19,488	-

(a) Staff costs

	The Group	
	2013	**2012**
	$'000	**$'000**
Salaries	2,899,444	2,693,961
Payroll taxes	299,086	266,346
Pension costs (Note 21)	290,902	206,024
Other post-retirement benefits (Note 21)	215,059	110,213
Share based compensation	111,449	130,257
Other	198,182	247,151
	4,014,122	3,653,952

45. Commission and Sales Expense

Amount represents agents' commission and bonuses.

46. Taxation

(a) Tax is computed as follows:

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Current year taxation -				
Investment income tax @ 15%	306,542	217,944	-	-
Income tax at 33 ⅓%	443,303	574,653	-	-
	749,845	792,597	-	-
Deferred income tax (Note 22) -				
Deferred tax charge/(credit) relating to the origination and reversal of temporary differences	(188,072)	62,620	-	-
Taxation	561,773	855,217	-	-

(b) Premium and other taxes:

Premium tax @ 3%	426,007	386,197	-	-
Asset tax @ 0.14%	189,292	184,501	-	-
Withholding tax	1,153	808	-	-
Premium and other taxes	616,452	571,506	-	-

(i) 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.

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

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

(iv) Subject to the agreement of the Taxpayer Audit and Assessment Department, losses of the company and certain subsidiary companies, available for set off against future taxable profits amount to approximately $19,488,000 (2012 – Nil) and $140,109,000 (2012 - $172,707,000) respectively. No deferred tax asset has been calculated on the losses for the company, as these losses are not expected to be recovered in the foreseeable future.

(v) Premium tax charges for the company include tax on deposits relating to the segregated funds totalling $3,904,598,000 (2012 - $3,088,624,000).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.

In the prior year, a new asset tax was introduced at a rate of 0.14% of total assets less required capital and withholding taxes due from Tax Administration of Jamaica (TAJ).

46. Taxation (Continued)

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

	The Group	
	2013	**2012**
	$'000	**$'000**
Investment income tax -		
Gross investment income	12,750,710	13,641,566
Tax at 15%	1,912,606	2,046,235
Adjusted for:		
Deductible expenses	(241,303)	(250,528)
Income not subject to tax	(432,812)	(329,995)
Net investment income not subject to investment tax	(1,010,553)	(1,276,316)
Expenses not deductible for tax purposes	44,176	93,106
Net effect of other charges and allowances	(14,978)	(4,414)
	257,136	278,088
Income tax -		
Profit before taxation	7,014,463	6,916,749
Tax at 33⅓%	2,337,920	2,305,352
Adjusted for:		
Investment income not subject to income tax	(2,009,460)	(1,877,649)
Asset tax not deductible for tax purposes	52,002	50,668
Prior year under provision	(1,744)	13,383
Net effect of other charges and allowances	(74,081)	85,375
	304,637	577,129
Taxation expense	561,773	855,217

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46. Taxation (Continued)

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

	The Group					
	2013			2012		
	Before tax $'000	Tax (charge)/ credit $'000	After tax $'000	Before tax $'000	Tax (charge)/ credit $'000	After tax $'000
Fair value (losses)/gains on available-for-sale investments	(2,327,694)	285,291	(2,042,403)	(210,512)	331,994	121,482
Cash flow hedge		-	-	(51,554)	13,334	(38,220)
Re-measurement of post-employment benefits	(1,426,197)	139,376	(1,286,821)	(177,044)	-	(177,044)
Unrealised (losses)/gains on owner-occupied properties	146,452	(3,153)	143,299	(59,966)	3,598	(56,368)
Retranslation of foreign operations	1,345,070	-	1,345,070	747,994	-	747,994
Other comprehensive income	(2,262,369)	421,514	(1,840,855)	248,918	348,926	597,844
Deferred income taxes (Note 22)		421,514			348,926	

47. Earnings per Stock Unit

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

	The Group	
	2013 $'000	Restated 2012 $'000
Net profit attributable to stockholders	6,297,935	5,864,574
Weighted average number of ordinary stock units in issue ('000)	3,760,992	3,760,992
Basic earnings per stock unit	1.67	1.56

47. Earnings per Stock Unit (Continued)

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

(a) An Employee Share Ownership Plan.

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

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

	The Group	
	2013	**2012**
	$'000	**$'000**
Net profit attributable to stockholders	6,297,935	5,864,574
Weighted average number of ordinary stock units in issue ('000)	3,765,860	3,764,515
Fully diluted earnings per stock unit	1.67	1.56

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

	The Group	
	2013	**2012**
	'000	**'000**
Weighted average number of ordinary stock units for the purposes of the computation of basic earnings per stock unit	3,760,992	3,760,992
Effect of dilutive potential ordinary stock units – stock options	4,868	3,523
Weighted average number of ordinary stock units for the purposes of the computation of diluted earnings per stock unit	3,765,860	3,764,515

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48. Cash Flows

(a) Operating activities

	Note	The Group 2013 $'000	Restated 2012 $'000
Adjustments for non-cash items, interest and dividends:			
Depreciation and amortisation		464,120	484,011
Interest income		(11,913,903)	(11,765,618)
Interest expense and finance costs	40	3,957,890	4,107,070
Income tax expense	46	561,773	855,217
Premium and other tax expense	46	616,452	571,506
Gain /(losses) on disposal of investment securities/investment properties		115,468	(1,289,704)
Premium/discount amortised		203,432	-
Fair value (gains)/losses on trading securities		(517,212)	(682,497)
Impairment charge on investments, loans and other assets		56,233	21,775
Share based compensation		28,992	(8,708)
Losses on revaluation of investment properties	14	(2,000)	63,515
Amortisation of cash flow hedges		-	(59,846)
Gains on disposal of property, plant and equipment		(1,399)	(1,709)
Increase in policyholders' funds		2,130,421	584,718
Net movement in actuarial liabilities		7,476,839	4,675,808
Retirement benefit obligations		378,354	91,526
Effect of exchange gains on foreign currency balances		(2,728,472)	(1,036,625)
Share of income from joint venture/gain on disposal of associate		11,737	10,767
		838,725	(3,378,794)

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48. Cash Flows (Continued)

(b) Changes in other operating assets and liabilities:

	The Group	
	2013	Restated 2012
	$'000	$'000
Changes in other operating assets and liabilities:		
Statutory reserves at Bank of Jamaica	(231,992)	(207,119)
Structured products and derivatives	1,050,597	784,181
Stock grants	73,736	110,480
Reinsurance contracts	(17,714)	1,143
Due from/(to) related parties	548,630	(743,675)
Deposit and security liabilities	(628,940)	(1,990,180)
Other assets, net	1,754,358	(1,212,685)
Other liabilities, net	455,604	(2,201,521)
Statutory reserves at Bank of Jamaica	3,004,279	(5,459,376)

	The Group	
	2013	Restated 2012
	$'000	$'000
(c) Net investment purchases:		
Proceeds on sale of investment securities	44,759,599	25,580,079
Proceeds on sale of investment properties	1,799,595	122,017
Purchase of investment securities	(59,753,331)	(27,278,853)
Purchase of investment property	(142,035)	(11,064)
Loans	22,355	518,959
Lease receivables	(41,599)	(46,532)
	(13,355,416)	(1,115,394)

(d) Investing Activities

		The Group	
	Note	2013	Restated 2012
		$'000	$'000
Property, plant and equipment, net			
Purchase of property, plant and equipment	19	(191,396)	(424,006)
Proceeds from sale of property, plant and equipment		1,744	4,409
		(189,652)	(419,597)

49. Fair Values of Financial Instruments

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

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

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

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

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

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

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

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

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

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

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49. Fair Values of Financial Instruments (Continued)

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

	The Group			
	Carrying Value	**Fair Value**	**Carrying Value Restated**	**Fair Value Restated**
	2013	**2013**	**2012**	**2012**
	$000	**$000**	**$000**	**$000**
Financial Assets				
Financial investments - held to maturity	2,141,145	2,169,269	1,853,904	2,023,535
Financial investments – loans and receivables	43,487,299	42,932,371	41,633,685	42,214,889
Loans & leases, after allowance for credit losses	10,821,201	10,458,853	9,391,290	10,184,836
Financial Liabilities				
Securities sold under agreements to repurchase	55,630,546	55,740,253	55,333,734	55,388,392
Customer deposits and other accounts	11,881,676	13,598,851	11,090,266	12,222,760
Due to banks and other financial institutions	16,716,280	16,710,851	10,767,058	10,778,926

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49. Fair Values of Financial Instruments (Continued)

The following table provides an analysis of financial instruments that are measured in the statement of financial position at fair value at 31 December 2013, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

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

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

	The Group			
	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial Assets				
Financial investments	36,912,188	76,253,943	1,659,427	114,825,452
Pledged assets	-	3,278,856	-	3,278,856
Derivative financial instruments	-	3,019,597	-	3,019,597
	36,912,188	82,552,396	1,659,427	121,123,905
Financial Liabilities				
Derivative financial instruments	-	3,170,941	-	3,170,941
Structured products	-	-	-	-
	-	3,170,941	-	3,170,941

	The Group			
	2012 Restated			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial Assets				
Financial investments	22,492,019	64,919,533	3,635,521	91,047,073
Pledged assets	-	3,943,434	-	3,943,434
Derivative financial instruments	-	4,253,104	-	4,253,104
	22,492,019	73,116,071	3,635,521	99,243,611
Financial Liabilities				
Derivative financial instruments	-	4,310,566	-	4,310,566
Structured products	-	-	-	-
	-	4,310,566	-	4,310,566

49. Fair Values of Financial Instruments (Continued)

Reconciliation of level 3 items -

	The Group	
	2013	2012
	$'000	$'000
Balance at beginning of year	3,635,521	3,939,105
Total gains - other comprehensive income	-	2,452
Total gains – income statement	77,887	263,052
Purchases	53,099	157,843
Transfer to level 2	(2,107,080)	-
Settlements	-	(726,931)
Balance at end of year	1,659,427	3,635,521

The gains or losses recorded in the income statement are included in Note 40.

The transfer from level 3 to 2 is attributable to changes in observability of market data.

50. Insurance and Financial Risk Management

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

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

The Group participated in the National Debt Exchange (NDX) which resulted in significant changes in the Group's investment portfolio in February 2013.

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

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

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

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

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

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

50. Insurance and Financial Risk Management (Continued)

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

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

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

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

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

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

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

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

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

50. Insurance and Financial Risk Management (Continued)

(a) Insurance risk

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

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

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

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

Long term insurance contracts

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

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

(i) Frequency and severity of claims

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

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

50. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts

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

The table below presents the company's concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described below in Note 50(b). At year-end, none of these insurance contracts had triggered a recovery under the reinsurance held by the Group. As was the case in the previous year, the risk is concentrated at the higher value bands. (These tables do not include annuity contracts, for which a separate analysis is reported in following pages).

	The Group			
Individual Life Benefits Assured per Life ('000)	**Total Benefits Insured**			
2013	**Before Reinsurance $'000**	**%**	**After Reinsurance $'000**	**%**
0 – 200	104,731,787	12	94,134,912	12
200 - 400	87,866,179	10	76,699,143	9
400 - 800	87,737,250	9	78,283,890	9
800 - 1000	83,393,854	9	78,323,407	9
More than 1,000	544,338,881	60	514,627,620	61
Total	908,067,951	100	842,068,972	100

	The Group			
Individual Life Benefits Assured per Life ('000)	**Total Benefits Insured**			
2012	**Before Reinsurance $'000**	**%**	**After Reinsurance $'000**	**%**
0 – 200	94,548,880	12	84,435,197	11
200 - 400	76,478,747	9	65,956,131	9
400 - 800	76,681,945	10	68,148,246	9
800 - 1000	75,270,919	9	70,657,410	9
More than 1,000	490,617,423	60	460,911,236	62
Total	813,597,914	100	750,108,220	100

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50. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(i) Frequency and severity of claims (continued)

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

	The Group			
Group Life Benefits Assured per Life ('000)	**Total Benefits Insured**			
2013	**Before Reinsurance $'000**	**%**	**After Reinsurance $'000**	**%**
0 - 200	26,168,381	5	17,139,537	4
200 - 400	3,178,065	1	1,496,248	-
400 - 800	792,211	-	357,374	-
800 - 1,000	31,102	-	31,102	-
More than 1,000	462,280,854	94	460,991,190	96
	492,450,613	100	480,015,451	100

	The Group			
Group Life Benefits Assured per Life ('000)	**Total Benefits Insured**			
2012	**Before Reinsurance $'000**	**%**	**After Reinsurance $'000**	**%**
0 - 200	29,773,457	5	16,437,463	3
200 - 400	2,124,616	1	842,122	-
400 - 800	787,014	-	285,263	-
800 - 1,000	29,400	-	29,400	-
More than 1,000	520,456,108	94	520,451,479	97
	553,170,595	100	538,045,727	100

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50. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

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

	The Group	
Annuity Payable per annum per annuitant ('000)	**Total Benefits Insured**	
2013	**$'000**	**%**
0 – 20	89,414	2
20 - 40	81,077	2
40 - 80	2,290,358	46
80 - 100	-	-
More than 100	2,412,890	50
Total	4,873,739	100

	The Group	
Annuity Payable per annum per annuitant ('000)	**Total Benefits Insured**	
2012	**$'000**	**%**
0 - 20	90,863	2
20 - 40	102,897	2
40 - 80	1,947,543	46
80 - 100	-	-
More than 100	2,114,206	50
Total	4,255,509	100

50. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

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

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

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

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

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

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

50. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

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

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

See Note 35(e) for detail policy assumptions.

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

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

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

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

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

50. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

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

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

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

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

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

See Note 35(e) for detail policy assumptions.

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

Short-duration property and casualty insurance contracts

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

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

50. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Short-duration property and casualty insurance contracts (continued)

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

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

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

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

(b) Reinsurance risk

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

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

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

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50. Insurance and Financial Risk Management (Continued)

(b) Reinsurance risk (continued)

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

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

(c) Cash flow and fair value interest rate risk

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

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

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

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

(i) Long term traditional insurance contracts and some investment contracts

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

50. Insurance and Financial Risk Management (Continued)

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

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

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

A decrease of 10% in the value of the assets would reduce the asset management fees to $185,910,000 (2012 - $236,165,000) per annum.

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

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

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

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

The disclosures provided in this note are based on the Group and company's investment portfolio as at 31 December 2013 and 2012.

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50. Insurance and Financial Risk Management (Continued)

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

	The Group						
	2013						
	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	3,497,442	-	-	-	-	584,921	4,082,363
Cash reserve at Bank of Jamaica	993,331	-	-	-	-	-	993,331
Financial investments and pledged assets	-	28,961,031	2,544,125	32,614,674	84,231,439	16,716,263	165,067,532
Derivative financial instruments	-	-	-	2,633,587	-	386,010	3,019,597
Loans & leases, after allowance for credit losses	-	2,951,244	1,017,503	5,056,208	1,695,124	101,122	10,821,201
Reinsurance contracts	-	-	-	-	-	262,710	262,710
Other assets	-	-	-	-	-	2,705,409	2,705,409
Non-financial assets:							
Investment properties	-	-	-	-	-	782,345	782,345
Investment in joint venture	-	-	-	-	-	639,235	639,235
Investment in associated companies	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	4,015,509	4,015,509
Property, plant and equipment	-	-	-	-	-	1,676,573	1,676,573
Deferred income taxes	-	-	-	-	-	298,107	298,107
Taxation recoverable	-	-	-	-	-	2,327,391	2,327,391
Other assets	-	-	-	-	-	1,618,994	1,618,994
Total assets	4,490,773	31,912,275	3,561,628	40,304,469	85,926,563	32,114,589	198,310,297

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50. Insurance and Financial Risk Management (Continued)

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

	The Group						
	2013						
	Immediately Rate Sensitive	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-Interest bearing	Total
	$000	$000	$000	$000	$000	$000	$000
Liabilities							
Deposit and security liabilities	-	67,030,553	12,856,198	4,581,343	816,072	785,558	86,069,724
Derivative financial instruments	-	-	-	2,773,629	-	397,312	3,170,941
Other liabilities	-	-	-	-	-	3,855,556	3,855,556
Segregated funds	-	-	-	-	-	-	-
Insurance contracts liabilities	-	671,801	2,044,642	12,087,868	31,825,080	1,936,340	48,565,731
Investment contracts liabilities	-	7,301,060	2,069,471	3,889,762	-	-	13,260,293
Other policy liabilities	-	766,979	-	-	-	1,945,445	2,712,424
Non-financial liabilities:							
Taxation payable	-	-	-	-	-	394,373	394,373
Deferred income taxes	-	-	-	-	-	1,144	1,144
Retirement benefit obligations	-	-	-	-	-	2,659,268	2,659,268
Total liabilities	-	75,770,393	16,970,311	23,332,602	32,641,152	11,974,996	160,689,454
On statement of financial position interest sensitivity gap	4,490,773	(43,858,118)	(13,408,683)	16,971,867	53,285,411	20,139,593	37,620,843
Cumulative interest sensitivity gap	4,490,773	(39,367,345)	(52,776,028)	(35,804,161)	17,481,250	37,620,843	

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50. Insurance and Financial Risk Management (Continued)

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

	The Group						
	2012 Restated						
	Immediately Rate Sensitive	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-Interest bearing	Total
	$000	$000	$000	$000	$000	$000	$000
Assets							
Cash resources	4,018,375	-	-	-	-	225,453	4,243,828
Cash reserve at Bank of Jamaica	735,494	-	-	-	-	-	735,494
Financial investments and pledged assets	-	33,302,052	4,130,428	28,994,766	61,184,883	11,525,550	139,137,679
Derivative financial instruments	-	-	-	4,234,807	-	18,297	4,253,104
Loans & leases, after allowance for credit losses	-	2,511,013	1,724,819	3,186,946	1,871,199	97,313	9,391,290
Reinsurance contracts	-	-	-	-	-	239,079	239,079
Other assets	-	-	-	-	-	3,492,028	3,492,028
Non-financial assets:							
Investment properties	-	-	-	-	-	2,400,826	2,400,826
Investment in joint venture	-	-	-	-	-	544,115	544,115
Investment in associated companies	-	-	-	-	-	2,725	2,725
Intangible assets	-	-	-	-	-	4,164,735	4,164,735
Property, plant and equipment	-	-	-	-	-	1,684,079	1,684,079
Retirement benefit assets	-	-	-	-	-	35,729	35,729
Deferred income taxes	-	-	-	-	-	19,133	19,133
Taxation recoverable	-	-	-	-	-	2,679,681	2,679,681
Other assets	-	-	-	-	-	1,508,391	1,508,391
Total assets	4,753,869	35,813,065	5,855,247	36,416,519	63,056,082	28,637,134	174,531,916

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50. Insurance and Financial Risk Management (Continued)

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

	The Group						
	2012 Restated						
	Immediately Rate Sensitive	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Non-Interest bearing**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Liabilities							
Deposit and security liabilities	-	59,412,039	14,255,620	2,266,649	1,268,152	842,698	78,045,158
Derivative financial instruments	-	-	-	3,998,369	-	312,197	4,310,566
Other liabilities	-	-	-	-	-	3,322152	3,322,152
Segregated Funds	-	-	-	-	-	-	-
Insurance contracts liabilities	-	549,719	1,652,306	9,251,620	25,760,606	2,109,194	39,323,445
Investment contracts liabilities	-	7,202,272	1,719,625	1,874,960	-	-	10,796,857
Other policy liabilities	-	719,915	-	-	-	1,694,194	2,414,109
Non-financial liabilities:							
Taxation payable	-	-	-	-	-	336,871	336,871
Deferred income taxes	-	-	-	-	-	357,726	357,726
Retirement benefit obligations	-	-	-	-	-	1,010,198	1,010,198
Total liabilities	-	67,883,945	17,627,551	17,391,598	27,028,758	9,985,230	139,917,082
On statement of financial position interest sensitivity gap	4,753,869	(32,070,880)	(11,772,304)	19,024,921	36,027,324	18,651,906	34,614,834
Cumulative interest sensitivity gap	4,753,869	(27,317,011)	(39,089,315)	(20,064,394)	15,962,930	34,614,834	

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50. 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 2013					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 Years	Over 5 Years	Weighted Average
	%	%	%	%	%	%
Cash resources	0.17	-	-	-	-	0.17
Investments (1)	-	7.15	6.93	11.28	9.01	9.90
Loans	16.26	10.63	28.61	24.70	8.93	18.94
Mortgages (2)	-	10.21	10.21	10.21	10.21	10.21
Policy loans	-	-	-	-	8.71	8.71
Investment contracts	-	3.97	3.97	3.97	3.97	3.97
Bank overdraft	22.87	-	-	-	-	22.87
Deposits	-	8.15	7.46	8.54	2.51	8.42
Amounts due to banks and other financial institutions	-	7.96	6.71	7.77	4.76	7.42

	The Group 2012					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 Years	Over 5 Years	Weighted Average
	%	%	%	%	%	%
Cash resources						
Investments (1)	-	7.24	4.26	8.60	9.60	8.63
Loans	-	17.60	9.28	9.93	9.03	10.68
Mortgages (2)	-	11.14	11.14	11.14	11.14	11.14
Policy loans	-	-	-	-	10.43	10.43
Investment contracts	-	5.02	5.02	5.02	5.02	5.02
Bank overdraft	17.88	-	-	-	-	17.88
Deposits	-	2.28	4.10	4.18	10.00	3.87
Amounts due to banks and other financial institutions	-	5.66	4.23	8.02	7.63	5.37

(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.

50. Insurance and Financial Risk Management (Continued)

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

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

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

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

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

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

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

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

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

Group's internal rating scale:

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

50. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit review process (continued)

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

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

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

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

The main types of collateral obtained are as follows:

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

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

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

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

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50. 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 year end date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

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

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

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

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

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

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50. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

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

Group and company's rating

	The Group			
	2013		2012	
	Loans and leases	Impairment Provision	Loans and leases	Impairment provision
	$'000	$'000	$'000	$'000
Standard	10,238,316	-	8,759,820	-
Potential Problem Credit	322,604	-	274,849	-
Sub-Standard	127,152	38,063	140,004	43,699
Doubtful	113,305	35,328	65,259	13,837
Loss	272,177	178,962	391,284	182,390
	11,073,554	252,353	9,631,216	239,926

50. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

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

The following table represents a worst case scenario of credit risk exposure to the Group at 31 December 2013 and 2012, without taking account of any collateral held or other credit enhancements. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

	The Group	
	Maximum exposure	
	2013	2012
	$'000	$'000
Credit risk exposures relating to on-statement of financial position are as follows:		
Cash and balances due from other financial institutions (excluding cash on hand)	5,233,139	4,677,958
Investment securities	149,880,190	129,788,129
Loans & leases, net of allowance for credit losses	10,821,201	9,391,290
Reinsurance contracts	262,710	239,079
Other assets	2,705,409	3,492,028
	168,902,649	147,588,484
Credit risk exposures relating to items not on the statement of financial position are as follows:		
Loan commitments	2,136,244	1,607,370
Guarantees and letters of credit	1,311,358	833,447
	3,447,602	2,440,817

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50. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loans and leases

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

	The Group	
	2013	**2012**
	$'000	**$'000**
Neither past due nor impaired -		
Standard	9,289,608	6,292,449
Past due but not impaired	1,231,799	2,742,220
Impaired	552,147	596,547
Gross	11,073,554	9,631,216
Less: provision for credit losses	(252,353)	(239,926)
Net	10,821,201	9,391,290

Loans and leases become past due when payments are not received on contractual repayment dates. The majority of past due loans are not considered impaired.

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

	The Group	
	2013	**2012**
	$'000	**$'000**
Less than 30 days	226,637	628,366
31 to 60 days	950,290	1,675,961
61 to 90 days	53,105	436,126
More than 90 days	1,767	1,767
	1,231,799	2,742,220

Financial assets other than loans and leases that are past due but not impaired are mortgage loans up to three months of $12,824,000 (2012 - $12,416,000).

The Group holds adequate collateral for past due not impaired loans and leases.

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50. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loans and leases (continued)

(iii) Financial assets – individually impaired
Financial assets that are individually impaired before taking into consideration the cash flows from collateral held are as follows:

	The Group	
	2013	**2012**
	$'000	**$'000**
Equities	7,851	5,117
Loans and leases	552,147	596,547
Mortgage loans	238,490	206,604

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

(iv) Renegotiated loans and leases
Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the 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.

(v) Repossessed collateral
The Group can obtain assets by taking possession of collateral held as security.

Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. In general, the Group do not occupy repossessed properties for business use.

The Group is in the process of repossessing collateral totaling $132,120,000 (2012 - $13,300,000).

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50. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit exposure

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

	The Group	
	2013	**2012**
	$'000	**$'000**
Government of Jamaica securities	90,765,161	87,011,636
Foreign government securities	8,025,824	4,773,268
Corporate bonds	41,311,954	29,440,389
Financial institutions	9,548,548	6,482,515
Mortgage loans	2,350,710	1,650,319
Policy loans	891,007	794,867
Promissory notes	48,000	1,599,049
	152,941,204	131,752,043
Interest receivable	2,172,128	2,714,045
	155,113,329	134,466,088

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.

50. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit exposure (continued)

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

	The Group	
	2013	Restated 2012
	$'000	$'000
Debt securities:		
Government of Jamaica debt securities	92,174,393	89,152,905
Deposits and cash:		
Bank of America	1,358,908	2,746,063
Citibank N.A.	497,327	440,836
National Commercial Bank Jamaica Limited	238,182	405,885
The Bank of Nova Scotia Jamaica Limited	89,249	80,416
Reinsurance contracts:		
Swiss Re - rated A+ (superior) by A.M Best	98,188	126,264
Munich Re - rated A+ (superior) by A.M Best	22,613	4,768

Exposure to credit risk is also managed in part by obtaining collateral and guarantees for mortgage loans. For mortgage loans, the collateral is real estate property, and the approved loan is usually no more that 95% of collateral value.

Policy loans are advanced on the security of the underlying insurance policy cash values. Cash loans are advanced to a maximum of 80% of the cash surrender value. Automatic premium loans are advanced to the extent of available cash surrender value.

For securities purchased under agreement to resell, title to securities are transferred to the Group by agreement, and for the duration of the latter.

Past due and impaired financial investments

Debt securities are assessed for impairment when amounts are past due, when the borrower is experiencing cash flow difficulties, or when the borrower's credit rating has been downgraded.

Mortgages less than 90 days past due are not assessed for impairment unless other information is available to indicate the contrary.

50. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

The Group is exposed to daily calls on their available cash resources from overnight placement of funds, maturing placement of funds, loan draw-downs and guarantees. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of investment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Liquidity risk management process

The Group's liquidity management process, as carried out within the Group and monitored by the Treasury Department, includes:

(i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required;

(ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

(iii) Maintaining committed lines of credit and optimising cash returns on investments;

(iv) Monitoring statement of financial position liquidity ratios against internal and regulatory requirements. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities; and managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for companies ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

Certain investment portfolios within the Group contain securities which can only be disposed of over a period of time. In such instances, the Group generally maintains higher levels of short term instruments to compensate for the relative illiquidity of the aforementioned securities.

The disclosures provided in this note are based on the Group's and the company's investment portfolio as at 31 December 2013 and 2012.

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50. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

The tables below present the undiscounted cash flows payable (both interest and principal cash flows) of the Group's financial and non-financial liabilities based on contractual repayment obligations. The Group expects that many policyholders/customers will not request repayment on the earliest date the Group could be required to pay. The expected maturity dates of financial assets and liabilities are based on estimates made by management as determined by retention history.

	The Group					
	Within 3 months	**3-12 months**	**1-5 years**	**Over 5 years**	**No specific maturity**	**Total**
Undiscounted Financial Liabilities - 31 December 2013	**\$000**	**\$000**	**\$000**	**\$000**	**\$000**	**\$000**
Deposit and security liability	67,846,057	13,270,435	5,467,780	955,008	-	87,539,280
Derivative financial instruments	595,434	2,449,734	622,858	-	-	3,668,026
Other liabilities	3,581,715	272,399	-	-	1,442	3,855,556
Segregated funds' liabilities	-	-	-	-	-	-
Insurance contracts liabilities	663,487	2,013,146	11,721,381	34,167,717	-	48,565,731
Investment contracts liabilities	7,301,060	2,069,471	3,945,890	-	-	13,316,421
Other policy liabilities	766,979	1,945,444	-	-	-	2,712,423
Total undiscounted liabilities	80,754,732	22,020,629	21,757,909	35,122,725	1,442	159,657,437

	Within 3 months	**3-12 months**	**1-5 years**	**Over 5 years**	**No specific maturity**	**Total**
	\$000	**\$000**	**\$000**	**\$000**	**\$000**	**\$000**
Undiscounted Financial Liabilities - 31 December 2012						
Deposit and security liabilities	60,228,166	14,989,220	2,685,122	2,301,752	-	80,204,260
Derivative financial instruments	513,117	1,498,532	2,383,501	-	-	4,395,150
Other liabilities	3,232,399	67,897	-	-	21,856	3,322,152
Segregated funds' liabilities	-	-	-	-	-	-
Insurance contracts liabilities	549,719	1,652,306	9,251,620	27,869,800	-	39,323,445
Investment contracts liabilities	7,202,272	1,719,625	1,934,220	-	-	10,856,117
Other policy liabilities	719,915	1,694,194	-	-	-	2,414,109
Total undiscounted liabilities	72,445,588	21,621,774	16,254,463	30,171,552	21,856	140,515,233

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50. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

The tables below reflect the expected maturities of the Group's discounted financial and non-financial assets and liabilities at the year-end date.

	The Group					
	2013					
	Within 3 months	3-12 months	1-5 years	Over 5 years	No specific maturity	Total
Assets	$000	$000	$000	$000	$000	$000
Cash resources	4,082,363	-	-	-	-	4,082,363
Cash reserve at Bank of Jamaica	993,331	-	-	-	-	993,331
Financial investments & pledged assets	13,770,368	3,817,011	27,544,114	105,724,603	14,211,436	165,067,532
Derivative financial instruments	461,375	2,043,837	514,385	-	-	3,019,597
Loans and leases, after allowance for credit losses	3,047,191	1,017,667	5,056,208	1,700,135	-	10,821,201
Reinsurance contracts	-	262,710	-	-	-	262,710
Other assets	2,511,493	153,681	13,002	-	27,233	2,705,409
Non-financial assets:						
Investment properties	-	-	-	-	782,345	782,345
Investment in joint venture	-	-	-	-	639,235	639,235
Investment in associated companies	-	-	-	-	-	-
Intangible assets	-	-	-	4,015,509	-	4,015,509
Property, plant and equipment	-	-	-	-	1,676,573	1,676,573
Deferred income taxes	-	298,107	-	-	-	298,107
Taxation recoverable	2,327,391	-	-	-	-	2,327,391
Other assets	115,241	490,574	817,633	184,482	11,064	1,618,994
Total assets	27,308,753	8,083,587	33,945,342	111,624,729	17,347,886	198,310,297

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50. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	The Group					
	2013					
	Within 3 months	3-12 months	1-5 years	Over 5 years	No specific maturity	Total
	$000	$000	$000	$000	$000	$000
Liabilities						
Deposit and security liabilities	67,566,845	12,912,702	4,774,105	816,072	-	86,069,724
Derivative financial instruments	464,229	2,052,286	654,426	-	-	3,170,941
Other liabilities	3,581,715	272,399	-	-	1,442	3,855,556
Segregated funds	-	-	-	-	-	-
Insurance contracts liabilities	671,801	2,044,641	12,087,868	33,761,421	-	48,565,731
Investment contracts liabilities	7,301,060	2,069,471	3,889,762	-	-	13,260,293
Other policy liabilities	766,979	1,945,445	-	-	-	2,712,424
Non-financial liabilities:						
Taxation payable	394,373	-	-	-	-	394,373
Deferred income taxes	-	1,144	-	-	-	1,144
Retirement benefit obligations	-	-	-	2,659,268	-	2,659,268
Total liabilities	80,747,002	21,298,088	21,406,161	37,236,761	1,442	160,689,454
On statement of financial position interest sensitivity gap	(53,438,249)	(13,214,501)	12,539,181	74,387,968	17,346,444	37,620,843
Cumulative interest sensitivity gap	(53,438,249)	(66,652,750)	(54,113,569)	20,274,399	37,620,843	
	2012 Restated					
Total assets	25,483,448	9,418,493	45,588,745	80,585,838	13,455,392	174,531,916
Total liabilities	72,506,684	21,365,942	15,925,346	30,097,254	21,856	139,917,082
On statement of financial position interest sensitivity gap	(47,023,236)	(11,947,449)	29,663,399	50,488,584	13,433,536	34,614,834
Cumulative interest sensitivity gap	(47,023,236)	(58,970,685)	(29,307,286)	21,181,298	34,614,834	

50. 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.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price, other than those arising from currency or interest rate risk, whether those changes are caused by factors specific to the instrument or affecting all similar instruments in the market.

The Group is exposed to equity securities price risk because of investments held by the Group and classified as available-for-sale or at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with limits set by the Group.

The Group’s investments in equity securities are publicly traded on the Jamaica Stock Exchange (JSE) and the National Association of Securities Dealers Automated Quotation System (NASDAQ). The Group’s sensitivity to equity securities price risk is disclosed in Note 50(iii).

50. Insurance and Financial Risk Management (Continued)

(f) Market risk (continued)

Currency risk
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk occurs when the Group takes an open position in a currency. To control this exchange risk the Asset and Liability Committee (ALCO) has approved limits for net open position in each currency for both intra-day and overnight position. This limit may vary from time to time as determined by ALCO.

The Group also has transactional currency exposure. Such exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to settle. The Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign assets to address short term imbalances.

The Group's operations in the Cayman Islands create two additional sources of currency risk:

- The operating results of the Group's foreign subsidiaries in the Group financial statements are translated at the average exchange rate prevailing during the period.
- The equity investment in the foreign subsidiaries is translated into Jamaican dollars using the closing exchange rate.

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

The following tables summarise the exposure of the Group and the company to foreign currency exchange rate risk. Included in the tables are the Group and the company's assets and liabilities at carrying amounts categorized by currency.

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50. Insurance and Financial Risk Management (Continued)

(f) Market risk (continued)

Currency risk (continued)

Concentrations of currency risk (continued)

	The Group			
	2013			
	Jamaican $	US$	Other	Total
	$'000	$'000	$'000	$'000
Financial assets				
Cash resources	858,745	2,619,325	604,293	4,082,363
Cash reserve at Bank of Jamaica	453,709	498,855	40,767	993,331
Financial investments and pledged assets	65,814,091	94,809,098	4,444,343	165,067,532
Derivative financial instruments	-	3,019,597	-	3,019,597
Loans & leases, after allowance for credit losses	4,670,357	6,150,844	-	10,821,201
Reinsurance contracts	70,446	192,264	-	262,710
Other assets	2,429,950	193,418	82,041	2,705,409
Non-financial assets:				
Investment properties	490,718	291,627	-	782,345
Investment in joint venture	-	639,235	-	639,235
Investment in associated companies	-	-	-	-
Intangible assets	3,454,843	560,666	-	4,015,509
Property, plant and equipment	1,641,596	34,977	-	1,676,573
Deferred income taxes	298,107	-	-	298,107
Taxation recoverable	2,327,391	-	-	2,327,391
Other assets	1,602,234	16,760	-	1,618,994
Total assets	84,112,187	109,026,666	5,171,444	198,310,297
Financial liabilities				
Deposit and security liabilities	27,626,289	57,185,281	1,258,154	86,069,724
Derivative financial instruments	-	229,079	2,941,862	3,170,941
Other liabilities	3,236,271	586,061	33,224	3,855,556
Insurance contracts liabilities	30,572,219	16,047,023	1,946,489	48,565,731
Investment contracts liabilities	7,406,960	5,762,324	91,009	13,260,293
Other policy liabilities	1,963,700	239,322	509,402	2,712,424
Non-financial liabilities:	-	-	-	-
Taxation payable	394,373	-	-	394,373
Deferred income taxes	1,144	-	-	1,144
Retirement benefit obligations	2,659,268	-	-	2,659,268
Total liabilities	73,860,224	80,049,090	6,780,140	160,689,454
Net on statement of financial position	10,251,963	28,977,576	(1,608,696)	37,620,843

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50. Insurance and Financial Risk Management (Continued)

(f) Market risk (continued)

Currency risk (continued)

Concentrations of currency risk (continued)

	The Group			
	2012 Restated			
	Jamaican $	**US$**	**Other**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Cash resources	832,542	2,783,018	628,268	4,243,828
Cash reserve at Bank of Jamaica	280,883	419,776	34,885	735,494
Financial investments and pledged assets	65,934,230	68,224,551	4,978,898	139,137,679
Derivative financial instruments	-	4,253,104	-	4,253,104
Loans & leases, after allowance for credit losses	2,170,723	7,220,567	-	9,391,290
Reinsurance contracts	101,640	137,439	-	239,079
Other assets	2,877,490	552,126	62,412	3,492,028
Non-financial assets:				
Investment properties	2,146,276	254,550	-	2,400,826
Investment in joint venture	-	544,115	-	544,115
Investment in associated companies	2,725	-	-	2,725
Intangible assets	3,675,544	489,191	-	4,164,735
Property, plant and equipment	1,646,563	37,516	-	1,684,079
Retirement benefit assets	35,729	-	-	35,729
Deferred income taxes	19,133	-	-	19,133
Taxation recoverable	2,679,681	-	-	2,679,681
Other assets	1,502,366	6,025	-	1,508,391
Total assets	83,905,525	84,921,978	5,704,413	174,531,916
Financial liabilities				
Deposit and security liabilities	27,825,536	49,036,167	1,183,455	78,045,158
Derivative financial instruments	-	43,915	4,266,651	4,310,566
Other liabilities	2,265,811	1,017,379	38,962	3,322,152
Insurance contracts liabilities	29,277,624	10,045,821	-	39,323,445
Investment contracts liabilities	6,877,940	3,918,917	-	10,796,857
Other policy liabilities	1,859,860	554,249	-	2,414,109
Non-financial liabilities:				
Taxation payable	336,871	-	-	336,871
Deferred income taxes	357,726	-	-	357,726
Retirement benefit obligations	1,010,198	-	-	1,010,198
Total liabilities	69,811,566	64,616,448	5,489,068	139,917,082
Net on statement of financial position	14,093,959	20,305,530	215,345	34,614,834

51. Sensitivity Analysis

Actuarial liabilities for the Group comprise 75.25% (2012 – 74.85%) of total Policyholders' Funds. The determination of actuarial liabilities is sensitive to a number of assumptions, and changes in those assumptions could have a significant effect on the valuation results. These factors are discussed in detail in Note 34(e).

(i) Sensitivity arising from the valuation of life insurance and annuity contracts

In summary, the valuation of actuarial liabilities of life insurance and annuity contracts is sensitive to:
- the economic scenario,
- the investments allocated to back the liabilities,
- the underlying assumptions used, and
- the margins for adverse deviations.

The Appointed Actuary tests the actuarial liabilities under several economic scenarios. These tests have been done and the liabilities have been derived from the scenarios which produce the worst results.

The assumption for future investment yields has a significant impact on actuarial liabilities.

The other assumptions to which the actuarial liabilities of the Group are most sensitive, are in descending order of impact:
- Mortality and morbidity
- Operating expenses and taxes
- Lapse rates

(ii) Dynamic capital adequacy testing (DCAT)

DCAT is a technique used to assess the adequacy of an insurer's future financial condition in the light of different future economic and policy experience scenarios. DCAT assesses the impact over the next 5 years on the insurer's financial position and financial condition under specific scenarios.

The financial position of an insurer is reflected by the amounts of assets, liabilities and equity in the statement of financial position at a given date.

The financial condition of an insurer at a particular date is its prospective ability at that date to meet its future obligations, especially obligations to policyholders, those to whom it owes benefits and to its shareholders.

The purpose of the DCAT is:
- to develop an understanding of the sensitivity of the total equity of the insurer and future financial condition to changes in various experience factors and management policies;
- to alert management and the Board to material, plausible and imminent threats to the insurer's solvency; and
- to describe possible courses of action to address these threats.

A DCAT analysis has been completed for Sagicor Life Jamaica Limited and Sagicor Life of the Cayman Islands Ltd.

51. 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 2013 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 2013 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 2013 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 2013 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 2013 and for the next five years.

(vi) Level new business. New business planned for 2014 was maintained for the 5 year period. Overall, this scenario has no effect on the liabilities in 2013 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 2013 liabilities, but will produce net lower liabilities over the next five years.

51. 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 $48,565,736 for the Group at the year-end date.

		The Group	
Variable	Change in Variable	2013 Change in Liability $'000	2012 Change in Liability $'000
Worsening of mortality/morbidity	+3% for 5 yrs.	2,742,223	2,505,069
Improvement in annuitant mortality	-3% for 5 yrs.	650,767	438,426
Lowering of investment return	-0.5% for 10 yrs.	12,396,143	11,134,082
Worsening of base renewal expense and inflation rate	+5% for 5 yrs.	1,845,638	1,680,768
Worsening of lapse rate	x2 or x0.5	4,549,411	4,180,217
High Interest	+0.5% for 10 yrs.	(9,545,827)	(7,544,631)

(iii) Sensitivity arising from a decline in equity prices

The Group is sensitive to fair value risk on its financial assets at fair value through profit or loss and available for sale equity securities. The effects of an increase by 10% and a decrease by 10% in equity prices at the year end date are set out below.

	The Group	
	Carrying Value $'000	Effect of 10% change at 31 December 2013 $'000
Financial assets at fair value through profit or loss and available for sale equity securities:		
Listed on Jamaica Stock Exchange	1,389,412	138,941
Listed on US stock exchanges	3,601,483	360,148
Other	8,785,481	878,548
	13,776,376	1,377,637

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51. Sensitivity Analysis (Continued)

(iv) Sensitivity arising from currency risk

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

The effect of a further 15% (2012 – 10%) depreciation and a 1% (2012 – 1%) appreciation in the Jamaican dollar (JMD) relative to the United States dollar (USD) at the year-end date is considered in the following tables.

The Group

	2013			2012 Restated		
	Balances Denominated in other than JMD $'000	Effect of a 15% depreciation at 31 December 2013 $'000	Effect of a 1% appreciation at 31 December 2013 $'000	Balances denominated in other than JMD $'000	Effect of a 10% depreciation at 31 December 2012 $'000	Effect of a 1% appreciation at 31 December 2012 $'000
Statement of financial position:						
Assets	114,198,110	131,327,827	113,056,129	90,626,391	99,689,030	89,720,127
Liabilities	86,829,230	99,853,615	85,960,938	70,105,516	77,116,068	69,404,461
Net position	27,368,880	31,474,212	27,095,191	20,520,875	22,572,962	20,315,666
Income statement:						
Net income	-	998,312	(66,554)	-	1,404,992	(140,499)
Equity	-	3,107,020	(207,135)	-	647,095	(64,710)

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51. Sensitivity Analysis (Continued)

(v) Development of Property and Casualty claims

The development of an insurer's claims in the course of settlement provides a measure of its ability to estimate the ultimate value of claims incurred. In the table below, the estimate of total claims incurred for each year is provided at successive year ends. The most recent estimate is then reconciled to the liability recognised in the statement of financial position.

	The Group			
	2011	**2012**	**2013**	**Total**
Gross	**$'000**	**$'000**	**$'000**	**$'000**
Estimate of ultimate claims incurred:				
At the end of the reporting year	17,980	3,249	5,409	26,638
One year later	5,235	4,928	-	10,163
Two years later	5,102	-	-	5,102
Current estimate of cumulative claims	5,102	4,928	5,409	15,439
Cumulative payments to date	(4,739)	(1,136)	(958)	(6,833)
Liability recognised in the statement of financial position	363	3,792	4,451	8,608
Liability in respect of prior years and ULAE				5,315
Total liability				13,922

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

Reinsurers' share	**2011**	**2012**	**2013**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Estimate of ultimate claims incurred:				
At the end of the reporting year	17,980	3,249	5,409	26,638
One year later	5,235	4,928	-	10,163
Two years later	5,102	-	-	5,102
Current estimate of cumulative claims	5,102	4,928	5,409	15,439
Cumulative payments to date	(4,739)	(1,136)	(958)	(6,833)
Recoverable recognised in the statement of financial position	364	3,793	4,451	8,608
Recoverable in respect of prior years				5,315
Total recoverable from reinsurers				13,922

51. Sensitivity Analysis (Continued)

(vi) Interest rate sensitivity

For the Sagicor Investments Jamaica, the Banking Group, the following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the Banking Group's income statement and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on the floating rate of financial assets and financial liabilities. The sensitivity of stockholders' equity is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The correlation of a number of variables will have an impact on market risk. It should be noted that movements in these variables are non-linear and are assessed individually.

	Sagicor Investments Jamaica Group			
	Effect on Net Profit 2013 $'000	Effect on Equity 2013 $'000	Effect on Net Profit 2012 $'000	Effect on Equity 2012 $'000
Change in percentage				
J$: -1%, US$: -0.5% (2012 – J$: -1%, US$: -0.5%)	(242,376)	935,984	(271,477)	529,347
J$: +2.5%, US$: +2% (2012 – J$: +4%, US$: +2.5%)	654,421	(2,923,318)	1,149,154	(1,470,312)

52. Capital Management

The Group manages its capital resources according to the following objectives:

- To comply with capital requirements established by insurance, banking and other financial intermediary regulatory authorities;
- To comply with internationally recognised capital requirements for insurance, where local regulations do not meet these international standards;
- To safeguard its ability to meet future obligations to policyholders, depositors, note-holders and stockholders;
- To provide adequate returns to stockholders by pricing insurance, investment and other contracts commensurately with the level of risk; and
- To maintain a strong capital base which are sufficient for the future development of the Group's operations.

52. Capital Management (Continued)

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

		Restated
	2013	2012
	$'000	$'000
Stockholders' equity	35,925,841	32,855,555
Non-controlling interests	1,695,002	1,759,279
Total statement of financial position capital resources	37,620,843	34,614,834

The Group deploys its capital resources to activities carried out through various lines of business in operating companies which are either insurance entities or provide other financial services. The capital is deployed in such a manner as to ensure that each line of business generates the desired return on capital employed, that the operating companies have adequate and sufficient capital resources to carry out their activities and to meet regulatory requirements.

Required capital adequacy information is filed with the regulators in the countries in which the Group operates, Jamaica monthly; Cayman Islands annually.

The capital adequacy of the principal operating entities within the Group is set out below.

(a) Sagicor Life Jamaica Limited
Capital adequacy is managed at the operating company level. It is calculated monthly by the Appointed Actuary and reviewed by Executive Management and the Board of Directors. In addition, The company seeks to maintain internal capital adequacy at levels higher than the regulatory requirements. To assist in evaluating the current business and strategy opportunities, a risk-based capital approach is one of the core measures of financial performance. The risk-based assessment measure which has been adopted is the Minimum Continuing Surplus and Capital Requirement (MCCSR) standard as per the Insurance Regulations, 2001. The minimum standard required Insurance Regulations 2001 at the year-end date is an MCCSR of 150%. The MCCSR for the Sagicor Life Jamaica Limited as at 31 December 2013 and 2012 is set out below.

	2013	2012
Sagicor Life Jamaica Limited	179.6%	162.9%

(expressed in Jamaican dollars unless otherwise indicated)

52. Capital Management (Continued)

(b) Sagicor Life of the Cayman Islands Ltd.

During 2012, the Cayman Islands Insurance (Capital and Solvency) (Class A Insurers) Regulations became effective. The minimum capital requirement for a local Class A insurer was established as the greater of US$300,000, or the square root of the sum of the square of five risk components – assets, policy liabilities, subsidiaries, catastrophe exposure and foreign exchange. Additionally, the prescribed capital for a local Class A insurer must be at least 125% of the minimum capital requirement. As at the year-end date, the prescribed capital requirement was US$25,335,000 (2012 - $26,978,000) and available capital when expressed as a percentage of prescribed capital, was 359.70% (2012 – 333.50%).

The MCCSR for Sagicor Life of the Cayman Ltd., based on the Canadian Regulatory Standards, is set out below.

	2013	2012
Sagicor Life of the Cayman Islands Ltd.	384.48%	384.75%

(c) Sagicor Investments Jamaica Group

The Banking Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

(i) To comply with the capital requirements set by the regulators of the financial markets where the entities within the Group operate;

(ii) To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and

(iii) To maintain a strong capital base to support the development of its business.

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.

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.

52. Capital Management (Continued)

The regulated companies that are operating within the Group are Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited.

	Sagicor Investments Jamaica Limited		Sagicor Bank Jamaica Limited	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Total regulatory capital	8,765,515	8,852,888	3,226,281	3,151,221
Total required capital	5,839,915	5,157,277	1,951,544	1,486,036
Actual capital base to risk	15%	17%	17%	21%
Required capital base to risk	10%	10%	10%	10%

(c) During 2013 and 2012, 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 Sagicor Investments Jamaica Limited (formerly Pan Caribbean Financial Services Limited) and Sagicor Bank Jamaica Limited.

(d) Derivative products
The 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.

53. 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 2013, these subsidiaries had financial assets under administration of approximately $131,198,034,000 (2012 - $120,408,621,000).

54. Commitments

In the normal course of business, the Group has entered into commitments at the year-end date for which no provision has been made in these financial statements. The off statement of financial position 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 2013				
Loan commitments	1,135,650	867,759	132,835	2,136,244
Guarantees, acceptances and other financial facilities	1,093,963	203,180	14,215	1,311,358
Operating lease commitments	589,915	1,155,262	131,246	1,876,423
	2,819,528	2,226,201	278,296	5,324,025
At 31 December 2012				
Loan commitments	247,759	1,282,141	77,470	1,607,370
Guarantees, acceptances and other financial facilities	382,971	417,594	32,882	833,447
Operating lease commitments	428,689	698,668	60,955	1,188,312
	1,059,419	2,398,403	171,307	3,629,129

Lease payments, including maintenance, for Group during the year were $129,226,000 (2012 - 12,975,000).

55. Contingent Liabilities

Legal proceedings
The Group and the company are subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the Group which, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both the financial position and results of operations.

56. Subsequent Event

On January 29, 2014, Sagicor Group Jamaica Limited signed a Sale and Purchase Agreement with RBC Financial (Caribbean) Limited and RBTT Finance Limited to acquire all the issued shares of RBC Royal Bank (Jamaica) Limited and RBTT Securities Jamaica Limited (collectively “RBC Jamaica”) from Royal Bank of Canada. The acquisition is subject to regulatory approvals. At December 2013 RBC Jamaica had total assets of $54,000,000,000. When, the sale has been concluded, the operations of Sagicor Bank Jamaica Limited and RBC Royal Bank (Jamaica) Limited will be amalgamated as Sagicor Bank Jamaica Limited.