Sagicor Group Jamaica Limited

Financial Statements
31 December 2018

Sagicor Group Jamaica Limited

Index

31 December 2018

Independent auditor's report

To the members of Sagicor Group Jamaica Limited

Report on the audit of the consolidated and stand-alone financial statements

Our opinion

In our opinion, the consolidated financial statements and stand-alone financial statements give a true and fair view of the consolidated financial position of Sagicor Group Jamaica Limited (the Company) and its subsidiaries (together 'the Group') and the stand alone financial position of the Company as at 31 December 2018, and of their consolidated and stand-alone financial performance and their consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and with the requirements of the Jamaican Companies Act.

What we have audited

Sagicor Group Jamaica Limited's consolidated and stand-alone financial statements comprise:

- The Consolidated statement of financial position as at 31 December 2018;
- The Company statement of financial position as at 31 December 2018;
- The Consolidated income statement for the year then ended;
- The Company income statement for the year then ended;
- The Consolidated statement of comprehensive income for the year then ended;
- The Company statement of comprehensive income for the year then ended;
- The Consolidated statement of changes in equity for the year then ended;
- The Company statement of changes in equity for the year then ended;
- The Consolidated statement of cash flows for the year then ended;
- The Company statement of cash flows for the year then ended; and
- The notes to the consolidated and stand-alone financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements* section of our report.

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

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L.A. McKnight P.E. Williams A.K. Jain B.L. Scott B.J.Denning G.A. Reece P.A. Williams R.S. Nathan C.I. Bell-Wisdom G.K.Moore

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and stand-alone financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

The context of our audit is set by the Group's major activities for 2018. One of the most significant events was the step-acquisition of the Sagicor Real Estate X Fund Limited resulting in the entity accounted for as a subsidiary and consolidated within the Group. The Group's adoption of IFRS 9 'Financial Instruments' resulted in significant adjustments to the accounting of certain financial instruments and the related impairment provisions recognised. The most significant adjustment arose from the default of the Government of Barbados bonds held by the Group. These have resulted in three new key audit matters for our audit in 2018 and the removal of one from the prior year as it pertained to fair value of investments, which has been replaced by adoption of IFRS 9.

The Group's businesses are organised into four primary business segments being Individual Lines, Employee Benefits, Commercial Banking, Investment Banking and Other. Geographically, the segments are Jamaica, Cayman Islands, United States of America and Other. All of the aforementioned has been defined in Note 5 of the financial statements. Each of these business segments include a number of reporting units, which together form the consolidated financial statements.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements we designed and performed audit procedures over various components. We identified seven components as individually financially significant to the Group and performed full scope audits. These seven components are: Sagicor Group Jamaica Limited (Jamaica), Sagicor Life Jamaica Limited (Jamaica), Sagicor Life of the Cayman Islands Ltd (Cayman Islands), Sagicor Bank Jamaica Limited (Jamaica), Grupo Sagicor GS, G.A and subsidiary (Costa Rica), Sagicor Investments Jamaica Limited (Jamaica) and Sagicor Real Estate X Fund Limited (St. Lucia). We also performed audit procedures on specific accounts or group analytical procedures with respect to the remaining components based on our risk assessment procedures.

For five of the individually financially significant components, the PricewaterhouseCoopers (PwC) Jamaica Firm performed the audit. In relation to (Grupo Sagicor GS, G.A and subsidiary) and Sagicor Real Estate X Fund Limited, we used component auditors from a non PwC firm who is familiar with the local laws and regulations to perform this audit work.

In establishing the overall group audit strategy and plan, we determined the type of work that is needed to be performed at the components by the group engagement team and by component auditors. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole. The Group Audit team held meetings with the component teams throughout the course of the audit. The group team engagement leader and the senior members of the group engagement team reviewed all inter-office and inter-firm reports, which included the audit approach and findings submitted in detail by all scoped in components.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and stand-alone financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and stand-alone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Actuarial methodologies and assumptions used in the valuation of insurance contract liabilities and annuity insurance contracts (Group) *See notes 2 (r-s), 3 (b) and 37 of the financial statements for disclosures of related accounting policies, judgements, estimates and balances.*	
As at 31 December 2018, total reserves for life insurance and annuity contracts account for $80 billion or 27% of total liabilities of the Group. We focused on this area as it involves significant judgement over uncertain future outcomes, mainly the ultimate total settlement value of long-term policyholder liabilities. Economic assumptions, such as investment return and associated discount rates, and operating assumptions such as mortality and persistency (including consideration of policyholder behaviour) are the key inputs used to estimate these long-term liabilities. Management uses qualified internal actuaries to assist in determining these assumptions and in valuing the actuarial liabilities.	We were assisted by our own actuarial specialist to evaluate the methodologies and assumptions utilized by management's actuaries considering industry and component specific facts and circumstances. We updated our understanding for any changes impacting the assumptions, specifically, we focused on mortality assumptions, contract lapses, investment return and associated discount rate, and operating expenses, all of which are based on the entity experience or published industry studies. We tested the policy master file for completeness and accuracy of the underlying data utilized by management as inputs to the actuarial valuation. We tested a sample of contracts to assess whether contract features corresponded to the data file as part of our reliability of data tests. The results of our procedures indicated that significant estimates and assumptions used by management were not unreasonable, and that the methodologies used were actuarially established, accepted and appropriate in the circumstance and consistent with prior years.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses in relation to financial assets (Group and Company) *Refer to 2(f), 3 (b), 9 and 53 (d) to the consolidated financial statements for disclosures of related accounting policies, judgements, estimates and balances.* The Group adopted the accounting standard IFRS 9 'Financial instruments' effective 1 January 2018. The standard introduces new requirements around two main aspects of how financial instruments are treated namely; measurement & classification and impairment. In relation to impairment, the standard prescribes a new forward looking, expected credit loss ('ECL') impairment model which takes into account reasonable and supportable forward looking information which will generally result in the earlier recognition of impairment provisions. The introduction of the new standard required the Group to build and implement new models to measure the expected credit losses for relevant financial assets. With the most significant impact to debt securities and loans and advances, including off balance sheet exposures. We have focused on this area, because there are a number of significant management determined judgements as well as key inputs including: • Criteria for a significant increase in credit risk, which impacts the staging of the assets and related expected loss calculations (i.e., one year or lifetime expected losses.) Including determining management's use of the optional practical expedient to assess credit risk on financial assets as low at the date of initial application and at the reporting date which allowed management to measure impairment using a 12-month expected credit loss. • Relevant inputs and techniques included in the expected credit loss model utilised in probability of default (PD), loss given default (LGD) and exposures at default (EAD) parameters. There is a large	We obtained the Group's accounting policies as they relate to the adoption of IFRS 9 and assessed the reasonableness of those accounting policies with the requirements of the standard. We obtained an understanding of the Group's business model assessment and for a sample of instruments verified the inputs into the solely payments of principal and interest test performed by the client with original contracts. We evaluated the design and tested the operating effectiveness of the relevant controls for IFRS 9 including: • The staging of debt securities are appropriately reflected and updated in the ECL model. This included testing whether the significant increase in credit risk and default definitions were appropriately applied and the resulting impact of this on the staging of the instruments. • Review and approval of key assumptions, judgments and forward-looking assumptions prior to being incorporated within the ECL model. • Review and approval of the output of the ECL model and related transition impacts. • Credit rating of debt securities are reviewed and appropriately updated within the ECL model. • The staging of loan and advances are appropriately prepared, reviewed and reflected in the ECL model. We found that these controls were designed, implemented and operated effectively, and therefore we determined that we could place reliance on these key controls for the purpose of our audit. We tested the opening equity adjustments in relation to the adoption of the new standard's classification and measurement requirements.

Key audit matter	How our audit addressed the key audit matter
increase in the data inputs of these models, which increases the risk that the data used to develop assumptions and operate the model is not complete or accurate. • Use of multiple forward looking economic scenarios. • For loans and advances, a significant amount of historical data is built into the PD, LGD and EAD risk parameters. PD models are developed based on the Group's specific historical default rates for each industry classification. LGD models are developed based on the Group's specific historical loss rate for the given exposure. The Group determined the principle and accrued interest on loan and advances as the EAD. • Valuation of real estate property pledged as collateral for term loans as this is the most significant repayment source for credit impaired assets, i.e., stage 3. Management engaged a credit modeller expert to assist in the more complex aspects of the expected credit loss model. The impact of adopting the new standard resulted in a reduction in the opening retained earnings of $164 million. As at 31 December 2018, the Group on balance sheet loans and advances, net of provision for credit losses totaled $69 billion. Off-balance sheet exposures which includes undrawn commitments such as credit cards, overdrafts and loan commitments totaled $11 billion. The Group's debt securities, measured at amortised cost and fair value through other comprehensive income (FVOCI) totaled $191 billion. Overall, the total of the above exposures represent 68% of total assets. The resultant impairment recorded under the ECL amounted to $1.7 billion for loans and advances, including off balance sheet items and $1.6 billion for debt securities. The Group's only stage 3 debt securities pertain to the Government of Barbados bonds which have been addressed in a separate key	With the assistance of our valuation specialists, we performed the following procedures: • Obtained an understanding of management's ECL model including source data, evaluated the theoretical soundness and tested the mathematical integrity of the model. • Tested reliability of source data used in the models on a sample basis by corroborating to historical data or external public information where available. • Where management has applied practical expedient calculations in accordance with the standard, tested the Group's application of the low credit risk simplification at reporting date by using rating agencies definition of investment grade and evaluated the appropriateness of the Group classification of stage 1 and 2 debt securities. • Tested management's ECL calculations to determine if there were in line with management's assumptions, model design and were consistently applied. • We evaluated the appropriateness of management's judgement pertaining to forward looking information, including macro-economic factors, the basis of the multiple economic scenarios used and the weighting applied to capture nonlinear losses. **Debt Securities:** We recalculated the amortised cost for a sample of debt securities to test the accuracy of management's calculations, which is used as the EAD value. We tested on a sample basis the completeness and accuracy of the initial credit risk and the credit risk at the reporting date using rating agencies definition of investment grade and evaluated the appropriateness of the group classification of debt securities as stage 2. We tested the critical data fields used in the ECL model, such as the maturity date, amortised cost, accrued interest, credit rating, date of default if any, interest rate, write-off data, and product category by tracing data back to source documents.

Key audit matter	How our audit addressed the key audit matter
audit matter below.	**Loans and advances, including the off-balance sheet exposures:** We tested a sample of the calculation of the days past due, which drives the historical default rate, for the loans and advances including off-balances sheet exposures by performing the following procedures. We reperformed the calculation of days past due, a key data input into the PD parameter, in the Group's banking system on a sample basis. We tested the completeness and accuracy of the historical data used on a sample basis in the opening expected credit loss and 2018 model by agreeing the details of the customer payment profile to source documents. We tested the critical data fields used in the ECL model, such as origination date, date of maturity, default date, principal, effective interest rate, write-off data, and product category by tracing data back to source documents. For a sample of stage 3 loans we obtained an understanding of the latest development at the borrowers and the basis of measuring the impairment provisions and considered whether key judgments were appropriate given the borrower's circumstances. We reperformed management's impairment calculation. We tested key inputs to the impairment calculation including the expected future cash flows and valuation of collateral held, and determined reasonableness of the valuation of the real estate collateral with the assistance of our auditor's expert. Based on the procedures described above, no material exceptions were noted in our assessment of the Group's implementation of IFRS 9, including its provisioning in accordance with its newly adopted expected credit loss model.

Key audit matter	How our audit addressed the key audit matter
Impairment of Government of Barbados financial assets (Group) *Refer to notes 2(f), 3 (b), 53 (d) to the consolidated financial statements for disclosures of related accounting policies, judgements, estimates and balances.* As at 31 December 2018, the Group's holdings of US Dollar Denominated instruments with a carrying value amounting to $1.2 billion and expected credit loss ('ECL') amounting to $874.7 million issued by the Government of Barbados (GOB). This represented the only stage 3 debt securities within the Group's portfolio. During the financial year, the GOB announced its intention to restructure both local and foreign currency denominated debt. As at the year end, the US Dollar Denominated debt remains in default with negotiations with creditors continuing. In the absence of restructure terms for the US dollar denominated debt, the Group estimated the impairment loss on these instruments based on the cash flows and the yield curve of the related instruments, which they expect to accept on exchange as disclosed in the consolidated and stand-alone financial statements. Management determined the carrying value of the US dollar denominated instruments based on a loss given default (LGD) of 36%. The exposure at default was the outstanding principal and accrued interest for these instruments at the end of the financial year. We focused on this area because of the significant judgement involved in arriving at the estimated values and the limited external evidence to support the Group's valuations.	With the assistance of our valuation specialists, we performed the following procedures: • Obtained an understanding of the methodology and assumptions used by management to construct the yield curve and determined whether it followed appropriate valuation techniques in the context of industry and entity-specific facts and circumstances. • Obtained management's detailed analysis and computation of the 36% determined LGD based on the related instruments. We tested the inputs of the future cash flow forecasts to external source information where available and reperformed management's calculation. • Performed independent calculation of the yield curve, which we sensitized and created an acceptable range. We compared our results to managements yield curve. Based on the audit procedures performed, the methodology and assumptions used by management to determine the LGD of 36% are not unreasonable.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment (Group) *See notes 2 (m) (i), 3 (b) and 18 of the financial statements for disclosures of related accounting policies, judgements, estimates and balances.*	
Goodwill of $3.7 billion had arisen from a number of historic business combinations. We focused on goodwill acquired in business combinations in the Cayman Islands and Jamaica based on their magnitude and that management's impairment test remains sensitive to reasonably possible change in assumptions, being primarily: - the growth rate; - the discount rate, and; - weighted average cost of capital (WACC).	We were assisted by our valuation specialist to assess the methodology and underlying assumptions used in the assessment of the goodwill impairment. We evaluated management's future cash flow forecasts, and the process by which they were developed. We compared previous forecasts to actual results to assess the performance of the business and the accuracy of forecasting. We confirmed that the three year forecast used in the valuation model was consistent with Board approved business plan, and that the key assumptions were subject to oversight from the Board of Directors. We tested the assumptions and methodologies used, in particular those relating to the discount rate, WACC and growth rates as follows • Evaluated these assumptions with reference to valuations of similar companies with the assistance of our valuation specialist. • Compared the key assumptions to externally derived data where possible, including market expectations of investment return, projected economic growth and interest rates. • Applied sensitivities in evaluating the directors' assessment of the planned growth rate in cash flows. In testing the valuation model, we tested the calculations for mathematical accuracy and considered the sensitivity of the calculation by varying the key assumptions and adjustments within management's cash flow forecast. We found the assumptions to be consistent and in line with our expectations.

Key audit matter	How our audit addressed the key audit matter
Non-consolidation of certain entities and unit trusts (Group) *See note 3 (a) of the financial statements for disclosures of related accounting policies, judgements, estimates and balances.*	
As at 31 December 2018, certain entities and unit trusts managed by the Group, with total assets of $206 billion and $130 billion, respectively, were not consolidated within the Group's financial statements. In determining whether the Group controls these entities and the unit trusts, management assessed the three criteria as outlined under IFRS 10, 'Consolidation of financial statements' and determined that the Group have not met all of the criteria required for consolidation. The terms of the contracts and the trust deeds provide the Group with influence over the entities and unit trusts. The Group also benefits from exposure to variability of returns from other interest. A number of significant judgements were used regarding whether or not these entities and unit trusts had met the requirements to be consolidated within the financial statements of the Group. These include: - whether for the unit trust, the Trustee has the right to remove the investment manager, and; - an assessment of the unit trust and entities exposure to variability arising from aggregate economic interest of the Group. Given that these determinations require judgment, we focused our attention on this area.	We examined the management contracts and the trust deeds of the entities and unit trusts and evaluated the extent to which the Group exercised control in the management of the entities and unit trusts and compared to management's assessment thereof. We tested the Group's ownership of units in the unit trusts and certain entities and assessed the Group's exposure to variability of returns for certain entities and the unit trust and determined that management's conclusions were not unreasonable.

Key audit matter	How our audit addressed the key audit matter
Valuation of Pension scheme liabilities (Group) *See notes 2 (n), 3 (b) and 21 of the financial statements for disclosures of related accounting policies, judgements, estimates and balances.*	
The Group operates various post-employment schemes, including defined benefit. The Group has a retirement benefit obligation of $3 billion as at 31 December 2018. We focused on this area as the valuation of the pension liabilities requires significant levels of judgement and technical expertise in choosing appropriate assumptions. A number of key assumptions, including salary increases, inflation, discount rates and mortality data, can have a material impact on the calculation of the liability. Management uses external actuaries to assist in determining these assumptions and in valuing the liabilities within the pension plan.	We engaged our own actuarial specialists to assess the methodology and underlying assumptions used in the calculation of the pension liability. We compared the discount rates, inflation rate, salary increases and mortality data used in the valuation of the pension liability to independently determined available benchmarks or underlying source data. We tested the consensus and employee data used in calculating the obligation to the underlying source information. Based on the audit evidence obtained, we determined that the data and assumptions used by management in the actuarial valuations were supported by the available audit evidence.
Step acquisition of Sagicor Real Estate X Fund Limited (Group) *See notes 2 (b), 3 (b) and 64 of the financial statements for disclosures of related accounting policies, judgements, estimates and balances.*	
Effective 1 October 2018, management assessed and determined that the Group met all the criteria required under IFRS 10, 'Consolidation of financial statements' for consolidation. As such, Sagicor Real Estate X Fund Limited previously accounted for as an associate, was now required to be accounted as a subsidiary due to change in control. Management applied significant judgement regarding whether or not this entity had met the requirements to be consolidated within the financial statements of the Group. These include: - control over the entity, - an assessment of the entity exposure to variability arising from aggregate	We obtained and evaluated management's consolidation analysis and application of accounting policies and assessed that they were appropriate and consistent with the criteria outlined under IFRS 10. We were assisted by our own valuation specialist in aspects of our work. We tested the fair values of the intangible assets recognised, as follows: • Evaluated the application of the valuation methodology utilised to derive the fair value of the franchise relationships intangible. • Tested management's assumptions and inputs by: - Corroborating the revenue growth rate, terminal growth rate, discount rate and weighted average cost of capital, by comparison to independent economic and statistical data;

Key audit matter	How our audit addressed the key audit matter
economic interest of the Group, - the ability to exercise control over the entity to affect the amount of the Group's returns, and ; - assessment of the agent vs principal relationship. We focused on this area due to nature of business combinations, the requirements of which can be complex and require management to exercise significant judgement in determining control and the fair value of franchise relationships intangible asset and potential goodwill acquired. The Group was assisted by an external valuation expert in this process.	- Referencing historical information in management's cash flows projections to supporting documents and information; - Assess the appropriateness of the economic useful lives determined; and - Comparing the discount rate to that used by other market participants. • Tested the mathematical accuracy of management's discounted cash flows by reperforming the underlying calculation. • Assessed the competence and capability of management's expert. Based on the procedures performed, no adjustments to the financial statements or disclosures were deemed necessary.

Other information

Management is responsible for the other information. The other information comprises the Sagicor Group Jamaica Annual Report (Annual Report) (but does not include the consolidated and stand-alone financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and stand-alone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and stand-alone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and stand-alone financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated and stand-alone financial statements

Management is responsible for the preparation of the consolidated and stand-alone financial statements that give a true and fair view in accordance with IFRS 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 stand-alone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and stand-alone financial statements, management is responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and stand-alone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and stand-alone financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and stand-alone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group and Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group or Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and stand-alone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and stand-alone financial statements, including the disclosures, and whether the consolidated and stand-alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and stand-alone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 stand-alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

The engagement partner on the audit resulting in this independent auditor's report is Paul Williams.

PricewaterhouseCoopers

Chartered Accountants
Kingston, Jamaica
10 April 2019

Sagicor Group Jamaica Limited

Consolidated Statement of Financial Position

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018	2017
		$'000	$'000
ASSETS			
Cash resources	6	11,552,916	12,652,317
Cash reserve at Central Bank	8	12,330,758	11,418,839
Financial investments	9	158,837,169	142,108,057
Derivative financial instruments	10	31,464	278,010
Loans and leases, after allowance for credit losses	11	69,284,592	61,431,486
Pledged assets	12	70,485,620	81,608,214
Investment properties	13	2,552,460	530,000
Investment in joint venture	14	330,804	356,391
Investment in associated company	16	24,764,690	7,050,842
Intangible assets	18	6,651,581	5,127,730
Property, plant and equipment	19	19,000,411	5,063,646
Reinsurance contracts	20	765,651	465,546
Retirement benefit assets	21	183,351	517,261
Deferred income taxes	22	3,405,053	2,351,201
Taxation recoverable	23	3,256,419	2,332,710
Other assets	24	10,699,814	18,744,270
TOTAL ASSETS		**394,132,753**	**352,036,520**

The accompanying notes on pages 12 – 196 form an integral part of these financial statements.

Sagicor Group Jamaica Limited

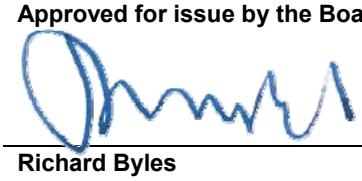
Consolidated Statement of Financial Position (Continued)

Year ended 31 December 2018

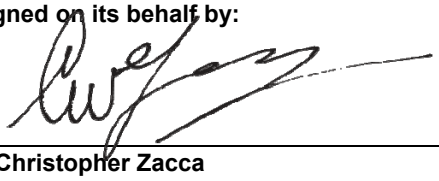
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
STOCKHOLDERS' EQUITY AND LIABILITIES:			
Stockholders' Equity Attributable			
Stockholders' of the Company			
Share capital	26	8,863,302	8,415,051
Equity reserves	27	4,286,773	7,522,083
Retained earnings		61,189,933	52,564,997
		74,340,008	68,502,131
Non-controlling Interests	61	27,354,811	-
Total Equity		**101,694,819**	**68,502,131**
Liabilities			
Deposit and security liabilities	34	164,933,500	165,221,812
Derivative financial instruments	10	31,464	278,010
Loans payable	35	9,970,102	-
Deferred income taxes	22	412,486	-
Taxation payable		1,880,810	148,160
Retirement benefit obligations	21	3,076,400	3,533,463
Other liabilities	36	14,510,124	18,859,895
Policyholders' Funds			
Insurance contracts liabilities	37	79,962,032	77,918,513
Investment contracts liabilities	38	13,408,342	13,777,110
Other policy liabilities	39	4,252,674	3,797,426
		97,623,048	95,493,049
Total Liabilities		**292,437,934**	**283,534,389**
TOTAL EQUITY AND LIABILITIES		**394,132,753**	**352,036,520**

Approved for issue by the Board of Directors on 5 April 2019 and signed on its behalf by:



Richard Byles **Chairman**



Christopher Zacca **Director**

The accompanying notes on pages 12 -196 form an integral part of these financial statements.

Sagicor Group Jamaica Limited

Consolidated Income Statement

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Revenue:			
Gross premium revenue	41	41,057,422	41,973,347
Insurance premium ceded to reinsurers	41	(1,242,638)	(974,812)
Net premium revenue	41	39,814,784	40,998,535
Interest income earned from financial assets measured at amortised cost and FVOCI	42	20,034,057	-
Net gain on de-recognition of financial assets measured at amortised cost	42	1,321,396	-
Interest income earned from financial assets measured at fair value through profit and loss and other investment income	42	2,966,057	-
Investment income	42	24,321,510	26,700,990
Interest and other investment expense	42	(4,777,998)	(4,945,535)
Credit impairment losses	42/11	(1,296,820)	(1,037,752)
Net Investment Income	42	18,246,692	20,717,703
Hotel revenue	43	1,247,215	-
Fees and other income	44	11,348,102	8,016,159
Total revenue		**70,656,793**	**69,732,397**
Benefits:			
Insurance benefits incurred		26,110,407	22,514,040
Insurance benefits reinsured		(635,858)	(605,096)
Net insurance benefits	45	25,474,549	21,908,944
Net movement in actuarial liabilities	37(d)	2,252,471	10,675,068
Expenses:			
Administration expenses	46	17,586,406	16,612,724
Commissions and sales expenses	48	5,782,073	4,884,844
Depreciation	19	743,966	508,201
Hotel expenses	47	892,631	-
Amortisation and impairment of intangible assets	18	704,200	672,739
Amortisation of loan costs		(7,342)	-
Other taxes and levies	49(b)	638,047	618,992
		26,339,981	23,297,500
		54,067,001	**55,881,512**
Share of profit/(loss) from joint venture	14	18,007	(9,710)
Gain on step acquisition of Sagicor X Fund	64	1,521,065	-
Gain on disposal of interest in associate		-	289,584
Share of (loss) / profit from associate	16	(80,539)	862,846
Profit before Taxation		**18,048,325**	**14,993,605**
Taxation	49(a)	(4,170,507)	(2,923,782)
NET PROFIT		**13,877,818**	**12,069,823**
Attributable to:			
Stockholders of the parent company		14,231,982	12,069,823
Non-controlling interests	61	(354,164)	-
		13,877,818	**12,069,823**
Earnings per stock unit for profit attributable to the stockholders of the company during the year:			
Basic and fully diluted	50	3.65	3.11

The accompanying notes on pages 12 -196 form an integral part of these financial statements.

Sagicor Group Jamaica Limited

Consolidated Statement of Comprehensive Income

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Net profit for the year		**13,877,818**	**12,069,823**
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Fair value reserve:			
Subsidiaries unrealized gains on available-for-sale investments		-	3,345,342
Share of joint venture and associate available-for-sale investments		-	3,252
Unrealised (losses) / gains on FVOCI bonds		(4,646,873)	-
Share of joint venture and associate on FVOCI bonds		(21,649)	-
		(4,668,552)	3,348,594
Re-translation of foreign operations:			
Subsidiaries		(179,426)	(322,666))
Share of other comprehensive of associate and joint venture		(1,254,406)	(100,525)
		(1,433,832)	(423,191)
Losses reclassified and reported in profit in the Income Statement		(710,315)	(1,188,071)
Provision for expected credit losses – IFRS 9 on FVOCI securities		435,933	-
Impairment losses on available-for-sale investments recognised and reported in the Income Statement		-	326,342
Change in actuarial liabilities arising from fair value movements in available-for-sale securities		1,056,028	657,563
Unrealised gains on owner-occupied properties in associates		-	(91,645)
Net gains recycled on change of accounting from associate to subsidiary	64	(393,774)	-
Transferred of share of accumulated revaluation unrealised gains on owner occuiped property	64	(202,411)	-
Items that will not be subsequently reclassified to profit or loss			
Unrealised gains on owner-occupied properties:			
Gains recognised by subsidiaries and associate		239,724	112,764
Share of other comprehensive income associate and joint venture		890,869	152,131
		1,130,592	264,898
Unrealised gains on FVOCI equities		9,304	-
Re-measurements of retirement benefits obligations		358,070	2,849,880
Total other (loss) / income recognised directly in stockholders' equity, net of taxes		(4,418,927)	5,744,370
Total Comprehensive Income		**9,458,891**	**17,814,193**
Attributable to:			
Stockholders of the parent company		10,738,522	17,814,193
Non-controlling interests		(1,279,631)	-
		9,458,891	**17,814,193**

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 49(d).

Sagicor Group Jamaica Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Equity Reserves (Note 27)	Retained Earnings	Equity Owners' Total	Non-controlling Interests Total	Grand Total
		$'000	$'000	$'000	$'000	$'000	$'000
Balance as at December 31, 2017		8,415,051	7,522,083	52,564,997	68,502,131	-	68,502,131
Changes on initial application of IFRS 9	62	-	(295,446)	(164,352)	(459,798)	-	(459,798)
Balance as at January 1, 2018		8,415,051	7,226,637	52,400,645	68,042,333	-	68,042,333
Total comprehensive income for the year		-	(3,851,528)	14,590,050	10,738,522	(1,279,631)	9,458,891
Transactions with owners -							
Acquisition of Travel Cash Limited		-	-	-	-	192,163	192,163
Non-controlling interest on acquisition in Sagicor Real Estate X Fund Limited		-	-	-	-	28,442,279	28,442,279
Employee stock option plan - value of services provided		-	21,097	-	21,097	-	21,097
- options exercised/expired		-	(27,980)	-	(27,980)	-	(27,980)
Dividends paid to owners of the parent	32	-	-	(4,686,765)	(4,686,765)	-	(4,686,765)
Treasury shares	28	448,251	-	(195,450)	252,801	-	252,801
Total transactions with owners		448,251	(6,883)	(4,882,215)	(4,440,847)	28,634,442	24,193,595
Transfers between reserves -							
To special investment reserve	2(o)	-	21,000	(21,000)	-	-	-
To retained earnings	2(o)	-	(200,600)	200,600	-	-	-
On step acquisition	64		(725,621)	725,621	-	-	-
Capital redemption reserves	31(d)	-	620,854	(620,854)	-	-	-
Loan loss reserves	31(b)	-	65,740	(65,740)	-	-	-
Retained earnings reserves	31(c)	-	1,137,174	(1,137,174)	-	-	-
Total transfers between reserves		-	918,547	(918,547)	-	-	-
Balance at 31 December 2018		8,863,302	4,286,773	61,189,933	74,340,008	27,354,811	101,694,819

The accompanying notes on pages 12 – 196 form an integral part of these financial statements.

Sagicor Group Jamaica Limited

Consolidated Statement of Changes in Equity (Continued)

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Equity Reserves (Note 27)	Retained Earnings	Equity Owners' Total
		$'000	$'000	$'000	$'000
Balance as at January 1, 2017		8,552,562	4,203,984	43,654,436	56,410,982
Total comprehensive income for the year		-	2,894,490	14,919,703	17,814,193
Transactions with owners -					
Employee stock option plan					
- value of services provided		-	37,090	-	37,090
- options exercised/expired		-	(55,927)	-	(55,927)
Dividends paid to owners of the parent	32	-	-	(4,999,212)	(4,999,212)
Treasury shares	28	(137,511)	-	(567,484)	(704,995)
Total transactions with owners		(137,511)	(18,837)	(5,566,696)	(5,723,044)
Transfers between reserves -					
To special investment reserve	2(o)	-	15,000	(15,000)	-
To retained earnings	2(o)	-	(25,000)	25,000	-
Adjustment between regulatory loan provisioning and IFRS	31(b)	-	452,446	(452,446)	-
Total transfers between reserves		-	442,446	(442,446)	-
Balance at 31 December 2017		8,415,051	7,522,083	52,564,997	68,502,131

The accompanying notes on pages 12 – 196 form an integral part of these financial statements.

Sagicor Group Jamaica Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018	2017
		$'000	$'000
Net profit		**13,877,818**	**12,069,823**
Adjustments for:			
Items not affecting cash and changes to policyholders' funds:			
Adjustments for non-cash items, interest and dividends	51(a)	(11,281,355)	(4,781,136)
Changes in other operating assets and liabilities	51(b)	4,144,901	(113,224)
Net investment (purchases) / sales	51(c)	(17,692,162)	(1,952,315)
Interest received		20,971,365	20,950,971
Interest paid		(4,924,382)	(4,834,532)
Income taxes paid		(3,299,646)	(4,876,734)
Net cash (used in) / generated from operating activities		**1,796,539**	**16,462,853**
Cash Flows from Investing Activities			
Investment in joint venture	14	(18,724)	(19,460)
Dividend from associate		-	102,395
Investment in associate		-	(865,346)
Net cash flows included on consolidation of Sagicor X Fund and Travel Cash		1,686,418	-
Proceeds from sale of interest in associate		-	994,764
Disposal of investment property, net	13	8,207	-
Disposal / (purchase) of property, plant and equipment, net	51(d)	879,234	(820,999)
Purchase of intangible assets, net	18	(314,905)	(504,188)
Net cash provided by / (used in) investing activities		**2,240,230**	**(1,112,834)**
Cash Flows from Financing Activities			
Redemption of preference shares		(646,800)	-
Deposits and securities liabilities		(3,575,039)	(11,858,943)
Disposal / (purchase) of treasury shares, net		252,806	(704,994)
Dividends paid to stockholders		(4,686,765)	(4,999,212)
Net cash used in financing activities		**(8,655,798)**	**(17,563,149)**
Effect of exchange rate on cash and cash equivalents		126,111	(291,767)
Decrease in cash and cash equivalents		(4,492,918)	(2,504,897)
Cash and cash equivalents at beginning of year		20,384,314	22,889,211
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	**15,891,396**	**20,384,314**

The accompanying notes on pages 12 –195 form an integral part of these financial statements

Sagicor Group Jamaica Limited

Company Statement of Financial Position

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
ASSETS:			
Cash resources	6	296,597	200,061
Financial investments	9	1,247,387	792,918
Investment in associated company	16	-	3,305,560
Investment in subsidiaries	17	72,444,299	68,748,739
Investment in joint venture	14	414,267	395,543
Intangible assets	18	622,159	808,583
Property, plant and equipment	19	279,307	308,993
Deferred income taxes	22	88,670	14,155
Taxation recoverable	23	46,994	164,123
Other assets	24	618,505	471,409
TOTAL ASSETS		76,058,185	75,210,084
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity Attributable			
Stockholders' of the Company			
Share capital	26	8,863,299	8,415,051
Equity reserves	27	28,274,855	28,142,284
Retained earnings		21,478,765	21,054,200
		58,616,919	57,611,535
Liabilities			
Promissory notes	34	13,260,219	13,763,583
Other liabilities	36	4,181,047	3,834,966
Total Liabilities		17,441,266	17,598,549
TOTAL EQUITY AND LIABILITIES		76,058,185	75,210,084

Approved for issue by the Board of Directors on 5 April 2019 and signed on its behalf by:

Richard Byles **Chairman** **Christopher Zacca** **Director**

The accompanying notes on pages 12 – 196 form an integral part of these financial statements

Sagicor Group Jamaica Limited

Company Statement of Comprehensive Income

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Revenue:			
Investment income	42	6,236,351	6,202,277
Interest expense and net investment loss	42	(647,185)	(722,921)
Net Investment Income	42	5,589,166	5,479,356
Management fees	1(c)	306,644	383,786
Other income	44	14,326	(22,292)
Total revenue		**5,910,136**	**5,840,850**
Expenses:			
Administration expenses	46	459,050	412,996
Depreciation	19	97,073	64,993
Amortisation of intangible assets	18	311,186	290,772
Asset tax		200	200
		867,509	**768,961**
Profit before Taxation		5,042,627	5,071,889
Taxation	49	73,951	9,532
NET PROFIT		**5,116,578**	**5,081,421**
Other Comprehensive Income, net of taxes			
Unrealized losses on available-for-sale securities		-	(87,333)
Unrealized gains on FVOCI		134,296	-
Total Comprehensive Income		**5,250,874**	**4,994,088**

The accompanying notes on pages 12 – 196 form an integral part of these financial statements

Sagicor Group Jamaica Limited

Company Statement of Cash Flows

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018	2017
		$'000	$'000
Net profit		**5,116,578**	**5,081,421**
Adjustments for:			
Items not affecting cash and changes to policyholders' funds:			
Adjustments for non-cash items, interest and dividends	51(a)	(5,280,682)	(5,110,965)
Changes in other operating assets and liabilities	51(b)	309,229	522,225
Net investment (purchases) / sales	51(c)	113,070	1,374,655
Interest and dividend received		6,249,498	6,182,556
Interest paid		(44,438)	(77,812)
Income taxes paid		(60)	(95,926)
Net cash generated from operating activities		**6,463,195**	**7,876,154**
Cash Flows from Investing Activities			
Investment in joint venture	14	(18,724)	(19,460)
Investment in subsidiaries	63	(390,000)	-
Purchase of property, plant and equipment	19	(69,942)	(181,810)
Purchase of intangible assets	18	(124,762)	(80,871)
Net cash used in investing activities		**(603,428)**	**(282,141)**
Cash Flows from Financing Activities			
Securities liabilities		(954,545)	(2,388,466)
Purchase of treasury shares, net		448,248	(137,512)
Dividends paid to stockholders	32	(4,686,762)	(4,999,212)
Net cash used in financing activities		**(5,193,059)**	**(7,525,190)**
Effect of exchange rate on cash and cash equivalents		2,199	(2,669)
Increase in cash and cash equivalents		668,907	66,154
Cash and cash equivalents at beginning of year		**278,418**	212,264
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	**947,325**	**278,418**

Sagicor Group Jamaica Limited

Company Statement of Changes in Equity

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Equity Reserves	Retained Earnings	Grand Total
		$'000	$'000	$'000	$'000
Balance at 1 January 2017		8,552,563	26,403,833	20,971,990	55,928,386
Total comprehensive income		-	(87,333)	5,081,421	4,994,088
Dividends paid to owners of parent	1(b)	-	-	(4,999,212)	(4,999,212)
Group reorganisation		-	1,844,621	-	1,844,621
Transfer of treasury shares	28	1,070,891	-	-	1,070,891
Purchase of treasury shares	28	(1,208,403)	-	-	(1,208,403)
Employee stock options		-	(18,837)	-	(18,837)
		(137,512)	(18,837)	-	(156,349)
Balance at 31 December 2017		8,415,051	28,142,284	21,054,199	57,611,534
Changes on initial application of IFRS 9	62	-	5,159	(5,250)	(91)
Balance as at January 1, 2018		8,415,051	28,147,443	21,048,949	57,611,443
Total comprehensive income		-	134,296	5,116,578	5,250,874
Dividends paid to owners of parent	1(b)	-	-	(4,686,762)	(4,686,762)
Transfer of treasury shares	28	454,362	-	-	454,362
Purchase of treasury shares	28	(6,114)	-	-	(6,114)
Employee stock options		-	(6,883)	-	(6,883)
		448,248	(6,883)	-	441,365
Balance at 31 December 2018		8,863,299	28,274,856	21,478,765	58,616,920

The accompanying notes on pages 12 – 196 form an integral part of these financial statements

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

(a) Sagicor Group Jamaica Limited (SGJ, the company) is incorporated and domiciled in Jamaica and is listed on the Jamaica Stock Exchange. It is 32.45% (2017 – 32.45%) owned by LOJ Holdings Limited which is also incorporated and domiciled in Jamaica and wholly owned by Sagicor Financial Corporation Limited (SFCL). The ultimate parent company is SFCL, which is incorporated and domiciled in Bermuda. SFCL has an overall interest of 49.11% (2017 – 49.11%) in the company. The other significant shareholder in SGJ is PanJam Investment Limited with a 31.55% (2017 – 31.55%) holding.

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

(b) 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, Joint Venture and Associate	Principal Activities	Incorporated In	Holding
Sagicor Life Jamaica Limited	Life insurance, health insurance annuities, retirement products, pension administration and investment services	Jamaica	100%
Sagicor Investments Jamaica Limited	Investment banking	Jamaica	100%
Sagicor Bank Jamaica Limited	Commercial banking	Jamaica	100%
Sagicor Securities Jamaica Limited	Securities trading	Jamaica	100%
Grupo Sagicor G.S., G.A. and subsidiary	Creditor Life	Costa Rica	50%
Sagicor Life of the Cayman Islands Ltd.	Life insurance	Grand Cayman	100%
• Sagicor Insurance Managers Ltd.	Captives management	Grand Cayman	100%
Sagicor Re Insurance Ltd.	Property and casualty insurance (captive)	Grand Cayman	100%
Employee Benefits Administrator Limited.	Pension administration services	Jamaica	100%
Sagicor Property Services Limited	Property management, real estate sales and rentals	Jamaica	100%
Sagicor Pooled Investment Funds Limited	Pension fund management	Jamaica	100%
Sagicor Insurance Brokers Limited	Insurance brokerage	Jamaica	100%
Sagicor International Administrators Limited	Group insurance administration	Jamaica	100%
Sagicor Real Estate X Fund Limited (i)	Real estate investment	St. Lucia	29.31%
• X Fund Properties Limited	Hospitality and real estate investment	Jamaica	100%
• X Fund Properities LLC	Hospitality	USA	100%
• Jamziv MoBay Jamaica Portfolio Limited	Holding Company	Jamaica	60.81%
• Playa Hotel & Resorts N.V.	Hospitality	Netherlands	15.33%
Travel Cash Jamaica Limited	Microfinance	Jamaica	51%

(i) Sagicor Real Estate X Fund Limited owns 51.86% of Jamziv Montego Bay Portfolio Jamaica Limited, (Jamziv Jamaica Limited) and X Fund Properties Limited owns 8.95%. Together the X Fund Group owns 60.81% of Jamziv Jamaica Limited, which in turn holds 15.33% of Playa Hotels & Resorts N.V.

(c) Shared Services

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

(d) Control of Sagicor Real Estate X Fund Group

Sagicor Group Jamaica Limited took effective control of the Sagicor Real Estate X Fund Group from October 1, 2018. This triggered a step acquisition with the accounting treatment being changed from an Associate to a Subsidiary. There was no change in the ownership interest of 29.31%.

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 interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS and have been prepared under the historical cost convention as modified by the revaluation of fair value through other comprehensive income (FVOCI) 'securities, investment property, certain property, plant and equipment, defined benefit pension plans where plan assets are measured at fair value and financial assets and liabilities at fair value through profit or loss.

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

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

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

IFRS 9, 'Financial Instruments', (effective for annual periods beginning on or after 1 January 2018). As of January 1, 2018, the Group adopted IFRS 9 - Financial Instruments ("IFRS 9"). As a result of the application of this new standard, the Group changed its accounting policies as outlined in note 2 (f) below. As permitted by the transition provisions in IFRS 9, the Group has elected not to restate comparative period results; accordingly, the 2017 comparative financial information on financial assets is presented in accordance with IAS 39 – Financial Instruments – Recognition and Measurement (Note 2 (f). Adjustments to the carrying amounts of financial assets and financial liabilities as of January 1, 2018 were recognised directly to statement of equity.

IFRS 15, 'Revenue from Contracts with Customers', (effective for the periods beginning on or after 1 January 2018). Sagicor Group adopted IFRS 15. This standard clarifies revenue recognition principles and provides a framework for recognising revenue and cash flows from service contracts from customers.

In accordance with the transition provisions in IFRS 15, the standard has been implemented using the modified retrospective method with no restatement of comparative information. There was no significant impact on the Group resulting from the implementation of the standard and consequently no transition adjustment has been recorded in the statement of equity.

The standard introduces new disclosure requirements for the financial statements which are set out in note 5, 24, 36 and 44.

Amendments to IFRS 2, Share based payments (effective for annual periods beginning on or after 1 January 2018). This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principle in IFRS 2 that will require an award to be treaded as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share based payments and pay that amount to the tax authority. There was no significant impact from the adoption of this amendment during the year.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

IFRS 4, Insurance contracts' regarding the implementation of IFRS 9, Financial Instruments. (effective for annual periods beginning on or after 1 January 2018). These amendments introduce two approaches; an overlay approach and a deferral approach. The amended standard will give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather that profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued and give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard – IAS 39. There was no significant impact from the adoption of this amendment during the year.

IFRIC 22, 'Foreign currency transactions and advance consideration', (effective for annual periods beginning on or after 1 January 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment / receipt occurs as well as for situations where multiple payment / receipts are made. There was no significant impact from the adoption of this amendment during the year.

Amendment to IAS 40, Investment property relating to transfers of investment property, (effective for annual periods beginning on or after 1 January 2018). These amendments clarify that to transfer to, or from, investment properties there must be change in use. To conclude if a property has changed use, there should be an assessment of whether the property meets the definition. There was no significant impact from the adoption of this amendment during the year.

Annual improvements 2014 – 2017, (effective for annual periods beginning on or after 1 January 2018). These amendments impact three standards as follows:

(i) IFRS 12, 'Disclosure of interest in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2018.
(ii) IAS 28 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018. These amendments clarify that companies account for long term interests in associate or joint venture to which the equity method is not applied using IFRS 9.There was no significant impact from the adoption of this amendment during the year.

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

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

IFRS 16, 'Leases', (effective for annual periods beginning on or after 1 January 2019) was issued in January 2017 and replaces IAS 17, 'Leases'. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

IFRS 16, 'Leases' (continued) 'A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 also requires enhanced disclosures to be provided by lessors and lessees that will improve information provided to users of the financial statements. The Group don't expect this standard to have a significant impact on it's operation.

IFRS 17, 'Insurance contracts', (effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4 which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The standard requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of discount probability –weighted cash flows, an explicit risk adjustment, and a contract service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. This IFRS provides a common global insurance accounting standard leading to consistency in recognition, measurement, presentation and disclosure. The standard applies to annual periods beginning on or after 1 January 2021, however earlier application is permitted if IFRS 15, 'Revenue from Contracts with Customers', and IFRS 9, 'Financial Instruments', are also applied. The Group is currently assessing the impact of future adoption of the new standard on its financial statements.

Amendment to IFRS 9, 'Financial instruments', on prepayment features with negative compensation (effective for annual periods beginning on or after 1 January 2019). The Board has issued a narrow-scope amendment to IFRS 9 to enable companies to measure at amortised cost some prepayable financial assets with negative compensation. The assets affected, that include some loans and debt securities, would otherwise have been measured at fair value through profit or loss (FVTPL). Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. However, to qualify for amortised cost measurement, the negative compensation1 must be reasonable compensation for early termination of the contract. The Group does not expect that this amendment will have a significant impact on its operations.

Amendment to IAS 28, 'Investments in associates', (effective for annual periods beginning on or after 1 January 2019). This amendment clarifies that company's account for long-term interests in an associate or joint venture to which the equity method is not applied using IFRS 9. The Group does not expect that this amendment will have a significant impact on its operations.

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)

Amendment to IFRS 3,'Business combinations', (effective for annual periods beginning on or after 1 January 2020). This amendment revises the definition of a business. According to feedback received by the International Accounting Standard Board (IASB), application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. The Group is currently assessing the impact of future adoption of the new standard on its financial statements.

Amendment to IAS 1 and IAS 8, (effective for annual periods beginning on or after 1 January 2020). These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information. The Group is currently assessing the impact of future adoption of the new standard on its financial statements.

IFRIC 23, 'Uncertainty over income tax treatments', (effective for annual periods beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Group does not expect this amendment to have a significant impact on its operations

Amendment to IAS 19, 'Employee benefits ' (effective for annual periods beginning on or after 1 January 2019). This amendment requires an entity to:

- Use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
- Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.

The Group does not expect this amendment to have a significant impact on its operations.

Annual improvement 2015-2017, (effective for annual periods beginning on or after 1 January 2019). These amendments includes minor changes to:

- IFRS 3, 'Business Combinations', a company measures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11, 'Joint arrangements', a company does not measure its previously owed interest in a joint operation when it obtains joint control of the business.
- IAS 12, 'Income taxes', a company accounts for all income taxes consequences of dividend payments in the same way.
- IAS 23, 'Borrowing costs', a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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.

2. Summary of Significant Accounting Policies (Continued)

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has control. The Group has control over an entity when the Group is exposed to the variable returns from its ownership interest in the entity and when the Group can effect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group, and subsidiaries are de-consolidated from the date on which control ceases.

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

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

The excess of the cost of the acquisition, the non-controlling interest recognised and the fair value of any previously held equity interest in the acquiree, over the fair value of the 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. Any non- controlling interest balances represent the equity in a subsidiary not attributable to Sagicor's interests.

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

Non- controlling interest balances are subsequently re-measured by the minority's proportionate share of changes in equity after the date of acquisition. Investments in subsidiaries are stated in the company's financial statements at cost less impairment.

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

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

(iii) Associates and Joint Ventures

The investments in associated companies, which are not majority-owned or controlled but where significant influence exists, are included in these consolidated financial statements under the equity method of accounting. Investments in associated companies and joint ventures are originally recorded at cost and include intangible assets identified on acquisition. The Group recognises in income its share of associate and joint venture companies' post acquisition income and its share of the amortisation and impairment of intangible assets which were identified on acquisition. Unrealised gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. The Group recognises in other comprehensive income, its share of post acquisition other comprehensive income.

2. Summary of Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

(iv) Pension and investment funds

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

The Group also manages a number of segregated pension funds, mutual funds and unit trusts. These funds are segregated and investment returns on these accrue directly to the unit-holders. Consequently the assets, liabilities and activity of these funds are not included in these consolidated financial statements unless the Group has a significant holding in the fund. Where a significant holding exists, the Group either consolidates the assets, liabilities and activity of the fund and accounts for any non-controlling interest as a financial liability or accounts for the fund as an associate. These elected to elected to use the fair value option.

(v) Employees share ownership plans (ESOP)

The Group operates two ESOP Trusts which either acquires Company shares on the open market, or is allotted new shares by Sagicor Group Jamaica Limited. The Trusts hold the shares on behalf of employees. Until transfer to employees, shares held by the Trusts are accounted for as treasury shares. All dividends received by the Trusts are applied towards the future purchase of Sagicor Group Jamaica Limited shares.

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(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 and when part of shadow accounting. 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 the income statement, 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

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

(f) Financial assets – Policies under IFRS 9

(i) Classification of financial assets

Equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVOCI with no subsequent reclassification to profit or loss. Financial assets are measured on initial recognition at fair value and are classified as and subsequently measured either at amortised cost, at FVOCI or at FVTPL. Financial assets and liabilities are recognised when the Group becomes a party to the contractual provision of the instrument. Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

Classification of debt instruments

Classification and subsequent measurement of debt instruments depend on:

- the Group's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories.

2. Summary of Significant Accounting Policies (Continued)

(f) Financial assets - Policies under IFRS 9 (continued)

(i) Classification of debt instruments (continued)

Measured at amortised cost

Debt instruments that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, such as most loans and advances to banks and customers and some debt securities, are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transactions costs.

Measured at fair value through other comprehensive income

Financial assets that are held for collection of contractual cash flows and for selling the assets, where cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movement in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instruments amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in Net Investment income. Interest income from these financial assets is included in “Interest income” using the effective interest rate method.

The use of designation removes or significantly reduces an accounting mismatch.

Measured at fair value through profit and loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. Interest income on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recgonised in the profit or loss and presented in the profit or loss statement within “Interest income from FVPL’ in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in “Net investment income’. Interest income from these financial assets is included in ‘Interest income’ using the effective interest rate method.

Held for trading securities are acquired principally for the purpose of selling in the short-term or if they form part of a portfolio of financial assets in which there is evidence of short-term profit taking. Derivatives are also classified as held for trading unless designated as hedges. Assets held for trading are measured at fair value through profit and loss.

Business model assessment

Business models are determined at the level which best reflects how the Group manages portfolios of assets to achieve business objectives. Judgement is used in determining business models, which is supported by relevant, objective evidence including:

- The past experience on how the cash flows of these assets were collected;
- How the assets performance is evaluated and reported to key management;
- How risks are assessed and managed and how managers are compensated;
- How the Group intends to generate profits from holding a portfolio of assets;
- The historical and future expectations of asset sales within a portfolio.

Solely repayments of principle and interest (“SPPI”)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments’ cash flows represent solely payments of principal and interest. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

2. Summary of Significant Accounting Policies (Continued)

(f) Financial assets - Policies under IFRS 9 (continued)

(ii) Unit linked funds fair value model

The Group's liabilities include unit linked funds which are components of insurance contracts issued or unit linked investment contracts issued with terms that the full investment return earned on the backing assets accrue to the contract-holders. As these liabilities are accounted for at FVTPL, the financial assets backing these liabilities are consequently classified as and measured at FVTPL. This is eliminate any accounting mismatched.

(iii) Embedded derivatives

Financial assets with embedded derivatives are considered in its entirety when determining whether their cash flows are solely payment of principal and interest.

(iv) Impairment of financial assets measured at amortized cost and FVOCI

IFRS 9 introduces an impairment model that requires the recognition of expected credit losses ("ECL") on financial assets measured at amortised cost and FVOCI and off balance sheet loan commitments and financial guarantees which were previously provided for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) ('12-month ECL').

In the event of a significant increase in credit risk (SICR) an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment and are therefore considered to be in default or otherwise credit-impaired are in 'stage 3'. Purchased or originated credit-impaired financial assets ("POCI") are treated differently as set out below.

To determine whether the life-time credit risk has increased significantly since initial recognition, the Group considers reasonable and supportable information that is available including information from the past and forward-looking information. Factors such as whether payments of principal and interest are in delinquency, an adverse change in credit rating of the borrower and adverse changes in the borrower's industry and economic environment are considered in determining whether there has been a significant increase in the credit risk of the borrower.

(v) Purchased or originated credit-impaired assets

Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are considered to be POCI. Theses financial assets are credit-impaired on initial recognition. The Group calculates the credit adjusted effective interest rate, which is calculated based on the fair value origination of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows. Their ECL is always measured on a life time basis.

(vi) Definition of default

The Group determines that a financial instrument is in default, credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for 90 days or more;
- there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the financial asset is otherwise considered to be in default.

If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due.

2. Summary of Significant Accounting Policies (Continued)

(f) Financial assets - Policies under IFRS 9 (continued)

(vii) Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

(ix) The general approach to recognising and measuring ECL

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Measurement

Expected credit losses are calculated by multiplying three main components, being the probability of default ("PD"), loss given default ("LGD") and the exposure at default ("EAD"), discounted at the original effective interest rate. Management has calculated these inputs based on the estimated forward looking economic and historical experience of the portfolios adjusted for the current point in time. A simplified approach to calculating the ECL is applied to contract and other receivables which do not contain a significant financing component. Generally, these receivables are due within 12 months unless there are extenuating circumstances. Under this approach, an estimate is made of the life-time ECL on initial recognition. For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

The PD, LGD and EAD models which support these determinations are reviewed periodically during the year. Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions remain subject to review and refinement. This is particularly relevant for lifetime PDs, which have not been previously used in regulatory modelling and for the incorporation of 'downside scenarios' which have not generally been subject to experience gained through stress testing. The exercise of judgement in making estimations requires the use of assumptions which are highly subjective and sensitive to the risk factors, in particular to changes in economic and credit conditions across a large number of geographical areas. Many of the factors have a high degree of interdependency and there is no single factor to which loan impairment allowances as a whole are sensitive. Therefore, sensitivities (Note 53 (d)) are considered in relation to key portfolios which are particularly sensitive to a few factors and the results should not be further extrapolated.

One key difference between Stage 1 and Stage 2 expected credit losses is the respective PD horizon. Stage 1 and Stage 2 expected credit losses also incorporate different exposure at default which is based on the amortizing schedule for non-revolving assetsStage 1 estimates will use a maximum of a 12-month PD while Stage 2 estimates will use a lifetime PD. Stage 3 estimates will continue to leverage existing processes for estimating losses on impaired loans, however, these processes will be updated to reflect the requirements of IFRS 9, including the requirement to consider multiple forward-looking scenarios. An expected credit loss estimate will be produced for each individual exposure, including amounts which are subject to a more simplified model for estimating expected credit losses. The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions.

2. Summary of Significant Accounting Policies (Continued)

(f) Financial assets - Policies under IFRS 9 (continued)

(ix) The general approach to recognising and measuring ECL (continued)

Measurement (continued)

For a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

For defaulted financial assets, based on management's assessment of the borrower, a specific provision of expected life-time losses which incorporates collateral recoveries, is calculated and recorded as the ECL. The resulting ECL is the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate.

Forward looking information
The estimation and application of forward-looking information requires significant judgment. PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

Each macroeconomic scenario used in the expected credit loss calculation have forecasts of the relevant macroeconomic variables – including, but not limited to, unemployment rates and gross domestic product, for a period up to three years, subsequently reverting to long-run averages. Our estimation of expected credit losses in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. Our base case scenario is be based on macroeconomic forecasts that are publicly available. Upside and downside scenarios is set relative to our base case scenario based on reasonably possible alternative macroeconomic conditions.

Scenario design, including the identification of additional downside scenarios occurs on at least an annual basis and more frequently if conditions warrant. Scenarios are probability-weighted according to our best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights are updated on a quarterly basis. The base scenario reflects the most likely outcome and is assigned with the highest weighting. Management believes that there is an equal probability of the upside and downside scenario happening, thus equal weighting was assigned to the two scenarios.

The weightings assigned to each economic scenario as at January 1 and December 31, 2018 were as follows:

	Base	Upside	Downside
Sagicor Jamaica portfolios (excluding Government of Barbados)	80%	10%	10%
Sagicor Life of the Cayman Islands (excluding Government of Barbados)	80%	10%	10%
Refer to note 53 for Government of Barbados exposures			

Impairment on financial assets measured at amortized cost and FVOCI, recognize impairment gains and losses are recognized in the statement of profit and loss. Unrealised gains and losses arising from changes in fair value on FVOCI assets are measured in other comprehensive income and the loss allowance is recycled to profit and loss in the credit loss provision line. When the asset is sold, the cumulative gain or loss is reclassified to investment income and the impairment on these financial assets will be reversed to provision for credit losses in the profit and loss.

3. Summary of Significant Accounting Policies (Continued)

(f) Financial assets - Policies under IFRS 9 (continued)

(x) Interest income and interest earned on assets measured at fair value through profit and loss
Interest income is earned based on the interest rate before allowances. Interest earned on assets measured at fair value through profit and loss is recognised based on the effective interest rate. For assets that are credit-impaired when purchased or originated, the carrying amount after allowances for ECL is the basis for applying the interest rate.

(xi) Modification of loans
The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers and debt instruments. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flow to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the group derecognises the original financial asset and recognises a new asset at fair value and recalculates the new effective interest rate for the asset. The date of negotiation is consequently considered to the be the date of initial recognition for impairment calculation purposes and the purpose of determining if there has been a significant increase in credit risk. At this point the Group will assess if the asset is POCI.

Financial assets - Policies under IAS 39
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.

2. Summary of Significant Accounting Policies (Continued)

Financial assets - Policies under IAS 39 (continued)

(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.

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(g) Investment properties

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

Investment property is recorded initially at cost. In subsequent financial years, investment property is recorded at fair values determined by independent valuers, with the appreciation or depreciation in value being taken to investment income. Investment property includes property held under partnership and joint venture arrangements with third parties which are accounted for using the equity method. Transfers to or from investment property are recorded when there is a change in use of the property. Transfers to owner-occupied property or to real estate developed for resale are recorded at the fair value at the date of change in use. Transfers from owner-occupied property are recorded at their fair value and any difference with carrying value at the date of change in use is dealt with in accordance with note 2 (l).

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) 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.

2. Summary of Significant Accounting Policies (Continued)

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

Policies under IFRS 9

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtors fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:
(i) The amount of the loss allowance; (calculated as described in Note 3 (b) (iV)and
(ii) The premium received on initial recognition less income recognized in accordance with the principles of IFRS 15

Loan commitments provided by the Group are measured as the amount as the amount of the loss allowance (calculated as described in Note 3 (b) (iv)). The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for contract that include both a loan and an undrawn commitment and the Group cannot separately identify the excepted credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognized as a provision.

Policies under IAS 39

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

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

Where the Group's obligations under acceptances, guarantees, indemnities and letters of credit and undertakings are not considered to be contingent, the amounts are reported as a liability in the statement of financial position. There are equal and offsetting claims against customers in the event of a call on these commitments, which are reported as an asset. Where the Group's obligations are considered to be contingent, the amounts are disclosed in Note 57.

Assets carried at amortised cost loans and advances and provisions for credit losses

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

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

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

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(j) Impairment of assets

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

In respect of loans that are considered sub-standard for reasons other than being non-performing, a special provision is established for the greater of 1% of the amounts outstanding or 20% of the estimated net loss. A general provision is established for all loans (other than loans for which specific and special provisions were established) at 1% of the amounts outstanding.

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.

(k) 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.

2. Summary of Significant Accounting Policies (Continued)

(k) Property, plant and equipment (continued)

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.

(l) 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.

(m) Intangible assets

(i) Goodwill

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

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

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

(ii) Contractual customer relationships

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

(iii) Trademarks and licences

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

(iv) Computer software

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

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development team's employee costs and an appropriate portion of relevant overheads. All other costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.Intangible assets with indefinite useful lives are assessed for impairment annually, or more frequently if events changed in circumstances indicate a potential impairment.

2. Summary of Significant Accounting Policies (Continued)

(n) Employee benefits

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

(i) Pension obligations

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

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

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

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

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

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

(ii) Other post-retirement benefit obligations

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

(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.

2. Summary of Significant Accounting Policies (Continued)

(n) Employee benefits (continued)

(iv) Share-based compensation
The Group operates Equity-settled, share-based compensation plans namely; Long-term Incentive Plan (LTI) and Staff Share Purchase Plan (SSPP).

Share options
Senior Executives of the Group participate in a Long-term Incentive Plan (LTI) for Share Options. Shares are purchased on the market and held in trust by the LTI Trust until they are transferred to Executives. 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 Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to over the remaining vesting period. Proceeds received net of any directly attributable transaction costs are paid to the trust on transfer of share options being exercised. Any cost to the company beyond the exercise price of the options is reported in equity as provided for under IFRS 2.

Share grants
The Senior Executives of the Group participate in a Long-term Incentive Plan for stock grants. The market value of the shares issued at grant date is recognised as an expense in the measurment year to which the grant relate.

Share purchase plan
Non – Executive employees of the Group are eligible to purchase shares in the company at a discount under a share purchase plan.

(v) Bonus Plans
Annual Incentives Plan for Bonus
Senior Executives of the Group participate in an Annual Incentive plan for bonus which is paid on company and individual performance against a balanced score card.

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

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

2. Summary of Significant Accounting Policies (Continued)

(o) Share capital, reserves and transfers

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(p)).

(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.

(iv) Treasury Stock

Sagicor Group Jamaica Limited shares held by Group member companies or the Long-term Incentive Trust (LTI) and Staff Share Purchase Trust (SSPP) are carried as treasury stock on consolidation and reported in stockholders' equity.

(v) Reserve and transfers

Special investment reserve

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

- Net unrealised gains brought forward at the beginning of each year are transferred from the special Investment reserve to retained earnings at 10%.
- Net unrealised gains earned during the year are transferred from retained earnings to the special investment reserve at 90%.

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:

- 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%.
- 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)

(p) Financial liabilities

(xii) Classification
Financial liabilities are measured at initial recognition at fair value and are classified as and subsequently measured either at amortised cost, or at fair value through profit or loss (FVPL). Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The financial liabilities described under the unit linked fair value model (see section (a) above) are classified and measured at FVPL as the Group is obligated to provide investment returns to the unit holder in direct proportion to the investment returns on a specific portfolio of assets, which are also carried at FVPL. Derivative financial liabilities are carried at FVPL. All other financial liabilities are carried at amortised cost. It is noted that the financial liabilities measured at FVPL do not have a cumulative own credit adjustment gain or loss.

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 (s) and in the following paragraphs.

Deposit liabilities
Deposits are recognised initially at fair value and are subsequently measured at amortised cost using the effective yield method plus or minus transaction costs.

Loans and other debt obligations
Loans and other debt 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 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(f)). The non-derivative elements are stated at amortised cost using the effective interest method.

2. Summary of Significant Accounting Policies (Continued)

(q) 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.

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

(1.1) Property and casualty insurance contracts

Property and casualty insurance contracts are generally one year renewable contracts issued by the insurer covering insurance risks over property, accident and liability. Property insurance contracts provide coverage for the risk of property damage or of loss of property. Commercial property, homeowners' property and certain marine property are common types of risks covered. For commercial policyholders insurance may include coverage for loss of earnings arising from the inability to use property which has been damaged or lost. Casualty insurance contracts provide coverage for the risk of causing physical harm or financial loss to third parties. Personal accident, employers' liability, public liability, product liability and professional indemnity are common types of casualty insurance.

Written premium are recognized when due. Premium revenue is recognised as earned on a pro-rated basis over the term of the respective policy coverage. If alternative insurance risk exposure patterns have been established over the term of the policy coverage, then premium revenue is recognised in accordance with the risk exposure. The provision for unearned premiums represents the portion of premiums written relating to the unexpired terms of coverage.

Claims and loss adjustment expenses are recorded as incurred. Claim reserves are established for both reported and un-reported claims. Claim reserves represent estimates of future payments of claims and related expenses less anticipated recoveries with respect to insured events that have occurred up to the date of the financial statements.

An insurer may obtain reinsurance coverage for its property and casualty insurance risks. The reinsurance ceded premium is expensed on a pro-rata basis over the term of the respective policy coverage or of the reinsurance contract as appropriate. Reinsurance claim recoveries are established at the time of the recording of the claim liability and are computed on a basis which is consistent with the computation of the claim liability. Profit sharing commission due to the Group is accrued as commission income when there is reasonable certainty of earned profit.

Commissions are recognised on the same basis as premiums earned. At the date of the financial statements, commissions and premium taxes attributable to unearned premiums are recorded as deferred policy acquisition costs. Profit sharing commission payable to reinsurers by the Group arises from contracts between an insurer and a broker; it is accrued on an aggregate basis and it is adjusted to actual in respect of each individual contract when due.

2. Summary of Significant Accounting Policies (Continued)

(q) Insurance and investment contracts (continued)

(i) Classification(continued)

(1.1) Health insurance contracts -
Health insurance contracts are generally one year renewable contracts issued by the insurer covering insurance risks for medical expenses of insured persons.

Premium revenue is accrued when due for contracts where the premium is billed monthly. For contracts where the premium is billed annually or semi-annually, premium revenue is recognised as earned on a pro-rata basis over the term of the respective policy coverage. The provision for unearned premiums represents the portion of premiums written relating to the unexpired terms of coverage.

Claims are recorded on settlement. Reserves are recorded as described in Note 2(r).

An insurer may obtain reinsurance coverage for its health insurance risks. The reinsurance ceded premium is expensed on a pro-rata basis over the term of the respective policy coverage or of the reinsurance contract as appropriate.

Commissions payable is recognised on the same basis as premiums earned.

(1.3) 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 as the amount of additional benefits is not paid at the discretion of the Group.

Long-term traditional insurance contracts are generally issued for fixed terms of five years or more, or for the remaining life of the insured. Benefits are typically a death, disability or critical illness benefit, a cash value on termination and/or a monthly annuity. Annuities are generally payable until the death of the beneficiaries with a provison for a minimum number of payments. Other benefits such as disability and waiver of premium on disability may also be included in these contracts. Some contracts may allow for the advance of policy loans to the policyholder and may also allow for dividend withdrawals by the policyholder during the life of the contract.

Premium revenue is recognised when due. Typically, premiums are fixed and are required to be paid within the due period for payment. If premiums are unpaid, either the contract may terminate, an automatic premium loan may settle the premium, or the contract may continue at a reduced value.

Policy benefits are recognised on the notification of death, disability or critical illness, on the termination or maturity date of the contract, on the declaration of a cash bonus or dividend or on the annuity payment date. Policy loans advanced are recorded as loans and receivables in the financial statements and are secured by the cash values of the respective policies. Policy bonuses may be "non-cash" and utilised to purchase additional amounts of insurance coverage. Accumulated cash bonuses and dividends are recorded as interest bearing policy balances.

Reserves for future policy liabilities are recorded as described in Note 2(r).

An insurer may obtain reinsurance coverage for death benefit insurance risks. Typically, coverage is obtained for individual coverage exceeding prescribed limits. The reinsurance premium is expensed when due, which generally coincides with when the policy premium is due. Reinsurance claim recoveries are established at the time of claim notification. Commissions payable is recognised on the same basis as earned premiums.

2. Summary of Significant Accounting Policies (Continued)

(q) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

(1.4) Long-term universal life and unit linked insurance contracts
Universal life and unit linked insurance contracts are generally issued for fixed terms or for the remaining life of the insured. Benefits are typically a death, disability or critical illness benefit, a cash value on termination and/or a monthly annuity. Annuities are generally payable until the death of the beneficiaries with a proviso for a minimum number of payments. Benefits may include amounts for disability or waiver of premium on disability.

Universal life and unit linked contracts have either an interest bearing investment account or unit linked investment accounts. Either gross premiums or gross premiums net of allowances are deposited to the investment accounts. Investment returns are credited to the investment accounts and expenses, not included in the aforementioned allowances, are debited to the investment accounts. Interest bearing investment accounts may include provisions for minimum guaranteed returns or returns based on specified investment indices. Allowances and expense charges are in respect of applicable commissions, cost of insurance, and administrative expenses. Fund withdrawals may be permitted.

Premium revenue is recognised when due and consists of all monies received from the policyholders. Typically, premiums are fixed at the inception of the contract or periodically thereafter, but additional non-recurring premiums may be paid. Policy benefits are recognised on the notification of death, disability or critical illness, on the receipt of a withdrawal request, on the termination or maturity date of the contract, or on the annuity payment date. Reserves for future policy liabilities are recorded as described in note 2(r).

An insurer may obtain reinsurance coverage for death benefit insurance risks. Typically, coverage is obtained for individual coverage exceeding prescribed limits. The reinsurance premium is expensed when due, which generally coincides with when the policy premium is due. Reinsurance claims recoveries are established at the time of claim notification.
Commissions are generally recognised only on settlement of premiums.

(iii) 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.

(iv) Deposit administration and other investment contracts
Deposit administration contracts are issued by an insurer to registered pension schemes for the deposit of pension plan assets with the insurer.

Deposit administration liabilities are recognised initially at fair value and are subsequently stated at:
- amortised cost where the insurer is obligated to provide investment returns to the pension scheme in the form of interest;
- fair value through income where the insurer is obligated to provide investment returns to the pension scheme in direct proportion to the investment returns on specified blocks of assets.

Deposit administration contributions are recorded directly as liabilities. Withdrawals are deducted directly from the liability. The interest or investment return provided is recorded as an interest expense. In addition, the Group may provide pension administration services to the pension schemes. The Group earns fee income for both pension administration and investment services.

Other investment contracts are recognised initially at fair value and are subsequently stated at amortised cost and are accounted for in the same manner as deposit administration contracts which are similarly classified.

2. Summary of Significant Accounting Policies (Continued)

(q) Insurance and investment contracts (continued)

(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 as 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.

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

(r) Actuarial liabilities

(1.1) Life insurance and annuity contracts

The determination of actuarial liabilities of long term insurance contracts has been done 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 life insurance and annuity actuarial liabilities for future policy benefits necessarily involves the use of estimates concerning such factors as mortality and morbidity rates, future investment yields, future expense levels and persistency, including reasonable margins for adverse deviations. As experience unfolds, these resulting provisions for adverse deviations will be included in future income to the extent they are released when they are no longer required to cover adverse experience. Assumptions used to project benefits, expenses and taxes are based on insurer and industry experience and are updated annually.

Net insurance contract liabilities represent the amount which, together with estimated future premiums and net investment income, will be sufficient to pay projected future benefits, policyholder dividends and refunds, taxes (other than income taxes) and expenses on policies in-force net of reinsurance premiums and recoveries. The determination of net insurance liabilities is based on an explicit projection of cash flows using current assumptions plus a margin for adverse deviation for each material cash flow item. Investment returns are projected using the current asset portfolios and projected reinvestment yields. The period used for the projection of cash flows is the policy lifetime for most individual insurance contracts.

2. Summary of Significant Accounting Policies (Continued)

(r) Actuarial liabilities (continued)

The Group segments assets to support liabilities by major product segment and geographic market and establishes investment strategies for each liability segment. Projected net cash flows from these assets and the policy liabilities being supported by these assets are combined with projected cash flows from future asset purchases to determine expected rates of return on these assets for future years. Investment strategies are based on the target investment policies for each segment and the reinvestment returns are derived from current and projected market rates for fixed income investments. Investment return assumptions for each asset class make provision for expected future asset credit losses, expected investment management expenses and a margin for adverse deviation.

Under this methodology, assets of each insurer are selected to back its actuarial liabilities. Changes in the carrying value of these assets may generate corresponding changes in the carrying amount of the associated actuarial liabilities. These assets include fair value through Other Comprehensive Income (prior year- available for sale securities), whose unrealized gains or losses in fair value are recorded in other comprehensive income. The fair value reserve for actuarial liabilities has been established in the statement of equity for the accumulation of changes in actuarial liabilities which are recorded in other comprehensive income and which arise from recognised unrealised gains or losses in fair value of securities.

Certain life insurance policies issued by the insurer contain equity linked policy side funds. The investment returns on these unitised funds accrue directly to the policies with the insurer assuming no credit risk. Investments held in these side funds are accounted for as financial assets at fair value through income and unit values of each fund are determined by dividing the value of the assets in the fund at the date of the financial statements by the number of units in the fund. The resulting liability is included in actuarial liabilities.

(1.1) Life insurance and annuity contracts

An actuarial valuation is prepared 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.

(1.2) Health insurance contracts

The actuarial liabilities of health insurance policies are estimated in, respect of claims that have been incurred but not yet reported or settled.

(s) Provisions

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

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

2. Summary of Significant Accounting Policies (Continued)

(t) Revenue recognition

Revenue recognition – IFRS 15

Revenues from service contracts with customers consist primarily of management and administration fees earned from third party investment funds, pension plans and insurance benefit plans (managed funds or administrative service only (ASO) benefit plans). These service contracts generally impose single performance obligations, each consisting of a series of similar related services to the unitholder or policyholder of each fund or plan. The Group's performance obligations within these service arrangements are generally satisfied over time as the unitholders and policyholders simultaneously receive and consume contracted benefits over time.

The Group also earns revenues for the provision of corporate finance, stockbroking, trust and related services to various customers.

Revenue from service contracts with customers is recognised when (or as) the Group satisfies the performance obligation of the contract. For obligations satisfied over time, revenue is recognised monthly or over some other period. For performance obligations satisfied at a point in time, revenue is recognised at that point in time.

Revenue recognition – year ended 31 December 2017

The various fees are billed periodically and are collected either by deduction or within a short period of time.

(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)

(t) Revenue recognition (continued)

(iii) Interest income

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. See 2 (f) for policies with respect impairment for loan receivable. For the prior year, IAS 39 requires 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.

(iv) Hotel revenue - Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of General Consumption Tax or applicable sales tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

- Sales of services
  Sale of service generated from hotel and other operations are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

- Sale of goods
  Sale of goods, mainly from gift shops is recognised when products are sold to customers. Sales are usually in cash or by credit card.

- Interest income
  Interest income is recognised using the effective interest method.

- Gain or loss on sale of investment
  Gain or loss on the disposal or maturity of investment, is determined by comparing sale proceeds with the carrying amount of the investment. This amount is recognised in the income and expenditure.

(u) Interest and commission expense

(i) Interest expense

Policies under IAS 39

Interest expense is recognised in the income statement on an accrual basis using the effective yield and interest yield methods where applicable 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.

Policies under IFRS 9

Interest income (expense) is computed by applying the effective interest rate based to the gross carrying amount of a financial asset (liability), except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (i.e. after deduction of the loss allowance). Interest includes coupon interest and accrued discount and premium on financial instruments.

(ii) Commission expense

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

2. Summary of Significant Accounting Policies (Continued)

(v) 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.

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.

(w) 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.

(x) Financial instruments

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(y) Derivative financial instruments and hedging activities

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

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into, and subsequently are re-measured at their fair value at each statement of financial position. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates its interest rate swap as a cash flow hedge. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

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

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'.

(z) 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.

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

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

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

(i) Adoption of IFRS 10, 'Consolidation of financial statements'
Management assessments were done for the Sagicor Real Estate X Fund Limited, Sagicor Pooled Investment Fund and Sagicor Sigma Global 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 Pooled Investment Fund Limited and Sagicor Real Estate X Fund Limited
  IFRS 10 does not establish bright lines as to what level of exposure definitely results in control and the assessment should be based on the relevant facts and circumstances. In determining whether a fund manager has control over the fund it manages, therefore, involves significant judgement. Management considers that the Group does not have control of Sagicor Real Estate X Fund Limited and Sagicor Pooled Investment Fund. Although the Group contractual terms provide the Group with influence over Sagicor Pooled Investment Fund Funds, management is of the view that the overall exposure of the Group to the variability of returns is not sufficient to conclude that the Group has control. Therefore, Sagicor Pooled Investment Fund has not been consolidated in these financial statements. However, while the Group does not control Sagicor Real Estate X Fund, it has significant influence over the Sagicor X Fund and therefore it is treated as an associate of the Group up to September 2018 (See below for subsequent development with respect to Sagicor Real Estate X Fund Limited).

- Sagicor Real Estate X Fund Limited and its subsidiaries
  Effective October 1, 2018 there were certain changes to the Board of Directors of Sagicor Real Estate X Fund Limited (Sagicor X Fund) which triggered a reassessment of whether or not the group now has control over Sagicor X Fund. Management concluded that the group now has effective control over Sagicor X Fund using a step-acquisition as required by IFRS 3 and this has resulted in Sagicor X Fund being treated as a subsidiary in the group's consolidation financial statements. Sagicor X Fund was previously accounted for as an associate in accordance with IAS 28. See Note 64 for further details. In addition, Sagicor X Fund has approximately 15% of the ordinary shares of Playa. This investment is being accounted for an associate in accordance with IAS 28, as management concluded that is has significant influence in Playa given that is has two directors on the board of Playa and also sits on two strategic sub –board committees.

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

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

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

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

(i) Investment in associate

As at July 1. 2018 the Group's has a shareholding in Playa of 15%. From an accounting perspective, IAS 28 (Investments in Associate and Joint Ventures) paragraph 5, 6 and 8 guidance was considered as follows:

Where an entity holds 20% or more of the voting power (directly or through subsidiaries) on an investee, it will be presumed the investor has significant influence unless it can be clearly demonstrated that this is not the case. If the holding is less than 20%, the entity will be presumed not to have significant influence unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence.

The existence of significant influence by an entity is usually evidenced in one or more of the following ways:

- representation on the board of directors or equivalent governing body of the investee;
- participation in the policy-making process, including participation in decisions about dividends or other distributions;
- material transactions between the entity and the investee;
- interchange of managerial personnel; or
- provision of essential technical information

In assessing whether potential voting rights contribute to significant influence, the entity examines all facts and circumstances (including the terms of exercise of the potential voting rights and any other contractual arrangements whether considered individually or in combination) that affect potential rights, except the intentions of management and the financial ability to exercise or convert those potential rights. Management has two representation on the Board out of twelve and are also members of two strategic Board committees.

Management has concluded, given its participation in the policy-making decisions, significant involvement in, and influence over decision making of Playa, this allows them to clearly demonstrate influence over Playa financial and operating results even though the Sagicor owns less than 20% of Playa shares - rebuttable presumption.
Management has concluded after taking the above into consideration that it has significant influence over Playa through its holding and as such is of the view that its strategic investment in the Playa should be treated as an investment in associate in accordance with IAS 28.

An impairment review involves estimating the recoverable amount of and asset and comparing it with its carrying value. The recoverable amount is the higher of the fair value less cost of disposal (FVLCTS) and the value in use (VIU). Value in use is determined using discounted cash flow analysis and the FVLCTS was based on a market approach. The FVLCTS resulted in a higher value than VIU. The Group uses its judgement to make assumptions that are mainly based on market conditions existing at the end of each reporting period, such as discount rates, EBITDA multiples, projected cash flows and other relevant inputs. The valuation conclusions under the FVLCTS approach were considered within the range derived by the discounted cash flow analysis under the VIU approach.

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 $4,971,627,000 (2017 - $4,264,586,000).

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 $14,045,286,000 (2017 - $12,729,494,000).

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

Were the actual lapse experience to differ by 200% (for products where the reserves increase with increases in lapse rates) or by 50% (for products where the reserves increase with decreases in lapse rates) of expected lapse experience the liability would increase by $8,490,131,000 (2017 - $6,710,655,000).

(ii) Pension and post-retirement benefits

The cost of these benefits and the present value of the pension and the other post-retirement liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pension and post-retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost (income) recorded for pension and post-retirement benefits and may affect planned funding of the pension plans.

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

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

(b) Key sources of estimation uncertainty (continued)

(ii) Pension and post-retirement benefits (continued)

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) 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.

(iv) Impairment of financial assets – Policies under IFRS 9

In determining ECL, management is required to exercise judgement in defining what is considered a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. Further information about the judgements involved is included in the earlier sections 'Measurement' and 'Forward-looking information'.

- Establishing staging for debt securities and deposits.

  The Group's internal credit rating model is a 10-point scale which allows for distinctions in risk characteristics and is referenced to the rating scale of international credit rating agencies. The scale is set out in the following table:

Category		Sagicor Risk Rating	Classification	S&P	Moody's	Fitch	AM Best
Non-default	Investment grade	1	Minimal risk	AAA, AA	Aaa, Aa	AAA, AA	aaa, aa
		2	Low risk	A	A	A	a
		3	Moderate risk	BBB	Baa	BBB	bbb
	Non-investment grade	4	Acceptable risk	BB	Ba	BB	bb
		5	Average risk	B	B	B	b
	Watch	6	Higher risk	CCC, CC	Caa, Ca	CCC, CC	ccc, cc
		7	Special mention	C	C	C	c
Default		8	Substandard			DDD	
		9	Doubtful	D	C	DD	d
		10	Loss			D	

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

(b) Key sources of estimation uncertainty (continued)

(iv) Impairment of financial assets - Policies under IFRS 9 (continued)

- Establishing staging for debt securities and deposits.

  The Group uses its internal credit rating model to determine which of the three stages an asset is to be categorized for the purposes of ECL. Once the asset has experienced a significant increase in credit risk the investment will move from Stage 1 to Stage 2. Sagicor has assumed that the credit risk of a financial instruments has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial asset that is investment grade or Sagicor risk rating of 1-3 is considered low credit risk. Stage 1 investments are rated (i) investment grade, or (ii) below investment grade and have not been downgraded more than 2 notches since origination. Stage 2 investments are assets which (i) have been downgraded from investment grade to below investment grade, or (ii) are rated below investment grade and have been downgraded more than 2 notches since origination. Stage 3 investments are assets in default.

- Establishing staging for other assets measured at amortised cost, lease receivables, loan commitments and financial guarantee contracts.

  Exposures are considered to have resulted in a significant increase in credit risk and are moved to stage 2 when:

  Qualitative test
  Accounts that meet the portfolio's 'high risk' criteria and are subject to closer credit monitoring.

  Backstop Criteria
  Accounts that are 30 calendar days or more past due. The 30 days past due criteria is a backstop rather than a primary driver of moving exposures into stage 2.

- Forward looking information

  When management determines the macro-economic factors that impact the portfolios of financial assets, they first determine all readily available information within the relevant market. Portfolios of financial assets are segregated based on product type, historical performance and homogenous country exposures. There is often limited timely macro-economic data for Jamaica, Cayman Islands and Costa Rica to a lesser extent. Management assesses data sources from local government, International Monetary Fund and other reliable data sources. A regression analysis is performed to determine which factors are most closely correlated with the credit losses for each portfolio. Where projections are available, these are used to look into the future up to three years and subsequently the long term average performance is then used for the remaining life of the product. These projections are re-assessed on a quarterly basis.

  Impairment of financial assets – Policies under IAS 39

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

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

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

(b) Key sources of estimation uncertainty (continued)

(iv) *Impairment of Government of Barbados financial assets*

As at 31 December 2018, the Group's holdings of US Dollar Denominated instruments with a carrying value amounting to $1.2 billion and expected credit loss ('ECL') amounting to $874.7 million issued by the Government of Barbados (GOB). This represented the only stage 3 debt securities within the Group's portfolio.

During the financial year, the GOB announced its intention to restructure both local and foreign currency denominated debt. As at the year end, the US Dollar Denominated debt remains in default with negotiations with creditors continuing.

In the absence of restructure terms for the US dollar denominated debt, the Group estimated the impairment loss on these instruments based on the cash flows and the yield curve of the related instruments, which they expect to accept on exchange as disclosed in the consolidated and stand-alone financial statements.

Management determined the carrying value of the US dollar denominated instruments based on a loss given default (LGD) of 36%. The exposure at default was the outstanding principal and accrued interest for these instruments at the end of the financial year.

(vi) Estimated impairment of intangible assets

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

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

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

As prescribed by IFRS 3, if the initial accounting for a business combination can be determined only provisionally by the end of the reporting period in which the combination is effected, the acquirer must account for the business combination using those provisional values and has a twelve month period from the acquisition date to complete the purchase price allocation. Any adjustment of the carrying amount of an identifiable asset or liability made as a result of completing the initial accounting is accounted for as if its fair value at the acquisition date had been recognised from that date. The purchase price allocation for the acquisitions has been provisionally determined as described in Note 63 and 64.

4. Responsibilities of the Appointed Actuary and External Auditors

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

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

5. Segmental Financial Information

Management has determined the operating segments based on the reports reviewed by the Group President and CEO that are used to make strategic decisions. The Group President and CEO is considered to be the Chief Operating Decision Makers (CODM).

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

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

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

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

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

(e) Other – Comprises property management, captives management, general insurance, hospitality services, real estate investment 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.

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

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

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

Eliminations comprise inter-company and inter-segment transactions.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2018 or 2017.

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

5. Segmental Financial Information (Continued)

	The Group						
	2018						
	Individual Lines	Employee Benefits	Commercial Banking	Investment Banking	Other	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenues	26,827,239	23,753,535	12,433,312	4,582,566	3,060,141	-	70,656,793
Revenue from other segments	16,636	-	(35,391)	40,178	246,184	(267,607)	-
Total revenue	26,843,875	23,753,535	12,397,921	4,622,744	3,306,325	(267,607)	70,656,793
Benefits and expenses	(19,063,795)	(17,874,717)	(7,760,743)	(1,585,777)	(3,718,236)	267,609	(49,735,659)
Change in actuarial liabilities	(1,329,992)	(663,207)	-	-	103	(259,375)	(2,252,471)
Depreciation	(63,974)	(34,460)	(256,618)	(11,814)	(377,100)	-	(743,966)
Amortisation of intangibles	(14,428)	(129,141)	(172,769)	(65,316)	(322,546)	-	(704,200)
Amortisation of loan costs	-	-	(12,663)	-	20,005	-	7,342
Other taxes	-	331	-	-	(5,115)	-	(4,784)
Asset tax	(92,684)	(24,945)	(264,757)	(183,920)	(66,957)	-	(633,263)
Total benefits and expenses	(20,564,873)	(18,726,139)	(8,467,550)	(1,846,827)	(4,469,846)	8,234	(54,067,001)
Share of profit from joint venture	-	-	-	-	18,007	-	18,007
Share of loss from associate	-	-	-	-	(80,539)	-	(80,539)
Gain on step acquisition of Sagicor X Fund	-	-	-	-	1,521,065	-	1,521,065
Profit before taxation	6,279,002	5,027,396	3,930,371	2,775,917	295,012	(259,373)	18,048,325
Taxation	(1,520,038)	(934,082)	(1,077,436)	(743,543)	104,592	-	(4,170,507)
Net profit	4,758,964	4,093,314	2,852,935	2,032,374	399,604	(259,373)	13,877,818
Segment assets -							
Intangible assets	1,513,861	685,250	1,284,201	576,679	2,591,590	-	6,651,581
Other assets	55,442,585	67,477,913	120,237,502	79,301,046	45,034,063	(8,695,835)	358,797,274
	56,956,446	68,163,163	121,521,703	79,877,725	47,625,653	(8,695,535)	365,448,855
Unallocated assets -							
Investments in joint venture (Note 14)							330,804
Investments in associate							24,764,690
Deferred income taxes (Note 22)							3,405,053
Retirement benefits asset							183,351
Total assets							394,132,753
Segment liabilities	47,321,224	54,628,147	100,585,572	69,785,004	26,586,828	(9,957,727)	288,949,048
Unallocated liabilities -							
Deferred income taxes (Note 22)							412,486
Retirement benefit obligations (Note 21)							3,076,400
Total liabilities							292,437,934
Other segment items:							
Capital expenditure: Computer software (Note 18)							314,905
Property, plant and equipment (Note 19)							586,925

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

5. Segmental Financial Information (Continued)

	The Group						
	2017						
	Individual Lines	Employee Benefits	Commercial Banking	Investment Banking	Other	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenues	26,461,463	26,684,145	10,211,191	4,342,339	2,033,259	-	69,732,397
Revenue from other segments	410,270	38,821	(77,009)	64,127	290,028	(726,237)	-
Total revenue	26,871,733	26,722,966	10,134,182	4,406,466	2,323,287	(726,237)	69,732,397
Benefits and expenses	(17,090,278)	(15,129,169)	(7,076,901)	(1,435,633)	(2,938,134)	263,603	(43,406,512)
Change in actuarial liabilities	(4,418,279)	(6,215,438)	-	-	201	(41,552)	(10,675,068)
Depreciation	(59,477)	(34,473)	(226,280)	(13,093)	(174,878)	-	(508,201)
Amortisation of intangibles	(15,481)	(125,839)	(164,137)	(65,831)	(301,451)	-	(672,739)
Other taxes	(1,885)	(4,387)	-	-	(1,491)	-	(7,763)
Asset tax	(81,586)	(37,096)	(245,667)	(192,987)	(53,893)	-	(611,229)
Total benefits and expenses	(21,666,986)	(21,546,402)	(7,712,985)	(1,707,544)	(3,469,646)	222,051	(55,881,512)
Share of loss from joint venture	-	-	-	-	(9,710)	-	(9,710)
Gain on sale of shares in Associate	-	-	-	-	289,584	-	289,584
Share of lossprofit from Associate	-	-	-	-	862,846	-	862,846
Profit before taxation	5,204,747	5,176,564	2,421,197	2,698,922	(3,639)	(504,186)	14,993,605
Taxation	(1,181,123)	(609,587)	(644,624)	(671,795)	183,347	-	(2,923,782)
Net profit	4,023,624	4,566,977	1,776,573	2,027,127	179,708	(504,186)	12,069,823
Segment assets -							
Intangible assets	1,500,466	806,145	1,301,347	637,596	882,177	-	5,127,731
Other assets	52,181,996	66,580,154	121,955,534	80,503,139	25,522,366	(10,110,096)	336,633,094
	53,682,462	67,386,299	123,256,881	81,140,735	26,404,543	(10,110,096)	341,760,825
Unallocated assets -							
Investments in joint venture (Note 14)							356,391
Investments in associate							7,050,842
Deferred income taxes (Note 22)							2,351,201
Retirement benefits asset							517,261
Total assets							352,036,520
Segment liabilities	44,667,277	54,772,682	103,941,395	70,006,880	17,600,257	(10,987,565)	280,000,926
Unallocated liabilities -							
Retirement benefit obligations (Note 21)							3,533,463
Total liabilities							283,534,389
Other segment items:							
Capital expenditure: Computer software (Note 18)							504,188
Property, plant and equipment (Note 19)							826,711

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

5. Segmental Financial Information (Continued)

	The Group						
	2018						
	Individual Lines	Employee Benefits	Commercial Banking	Investment Banking	Other	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue from contracts with customers:							
Products transferred at a point in time	-	-	4,385,253	1,022,183	2,030	-	5,409,466
Products and services transferred over time	57,001	1,720,705	404,673	882,261	1,670,718	-	4,735,358
Total included in fees and other revenue	57,001	1,720,705	4,789,926	1,904,444	1,672,748	-	10,144,824

The Group's geographic information:

	Jamaica	Cayman Islands	United States of America	Other	Total
	2018				
	$'000	$'000	$'000	$'000	$'000
Revenue	66,183,859	3,303,867	1,169,067	-	70,656,793
Total assets	330,538,079	18,980,562	44,283,308	330,804	394,132,753
	2017				
	$'000	$'000		$'000	$'000
Revenue	65,961,334	3,771,063	-	-	69,732,397
Total assets	332,630,579	19,049,550	-	356,391	352,036,520

Geographically, the segments are Jamaica, Cayman Islands, United States of America 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.

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

6. Cash Resources

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Balances with banks payable on demand	8,327,692	9,879,662	296,597	199,968
Cash in hand	3,225,224	2,772,655	-	93
	11,552,916	12,652,317	296,597	200,061

7. Cash and Cash Equivalents

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

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Cash resources	11,552,916	12,652,317	296,597	200,061
Short term deposits	2,513,096	4,200,161	-	200
USA Government Treasury Bills and BOJ CD	1,826,447	1,787,137	126,593	-
Securities purchased under resale agreement	-	2,042,760	524,135	78,157
Bank overdrafts (Note 34)	(1,063)	(298,061)	-	-
	15,891,396	20,384,314	947,325	278,418

The amounts of $2,513,096 (2017: $4,200,161) represent deposits with original maturity of less than 90 days out of the total Group and short-term deposits of $2,941,789 (2017 - $4,620,981).

8. Cash Reserves at Central Bank

Minimum cash reserve and liquid asset ratios in respect of deposit liabilities are required to be maintained by Sagicor Bank Jamaica Limited with the Bank of Jamaica. Cash reserves are not available for investment, lending or other use by the Bank.

The cash and liquid asset requirements at year-end were as follows:

	2018	2017
Cash Reserve:		
Foreign currency liabilities	15%	15%
Jamaican dollar liabilities	12%	12%
Liquid Assets:		
Foreign currency liabilities	29%	29%
Jamaican dollar liabilities	26%	26%

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

9. Financial Investments

	The Group		The Company	
	IFRS 9 basis 2018 $'000	**IAS 39 basis 2017 $'000**	**IFRS 9 basis 2018 $'000**	**IAS 39 basis 2017 $'000**
Short term deposits	2,952,013	4,631,095	515,773	383,227
Financial assets at fair value through profit or loss -				
Government of Jamaica securities	5,514,357	7,589,509	-	-
Corporate bonds	1,821,032	1,422,063	-	-
Unquoted equity	991,424	-	-	
Quoted equity	2,933,580	1,777,512	-	-
Interest receivable	122,768	169,796	-	-
Foreign governments securities	319,937	932,734	-	-
Unit trust	23,006,257	17,982,774	-	-
	34,709,355	29,874,388	-	-
Financial assets at FVOCI (available-for-sale) -				
Government of Jamaica securities	48,520,191	45,009,605	-	-
Foreign governments securities	12,436,065	11,671,466	126,593	-
Corporate bonds	55,797,871	62,026,577	28,910	266,494
Quoted equities	28,461	1,385,737	-	-
Unquoted equities	6,034	47,093	-	-
Unit trust shares	-	2,918,069	-	-
Interest receivable	1,875,087	1,837,103	300	10,251
	118,663,709	124,895,650	155,803	276,745
Investments at amortized cost (loans and receivables) -				
Government of Jamaica securities	59,837,894	52,850,974	51,586	51,629
Foreign governments securities	497,076	509,989	-	-
Corporate bonds	6,393,069	3,787,365	-	-
Securities purchased under resale agreement	904,694	2,047,360	524,136	81,098
Mortgage loans	3,103,772	3,023,668	-	-
Promissory notes	46,294	48,000	-	-
Policy loans	883,931	897,213	-	-
Interest receivable	1,330,982	1,150,569	89	219
	72,997,712	64,315,138	575,811	132,946
Less Pledged assets (Note 12)	(70,485,620)	(81,608,214)	-	-
Total Financial Investments	158,837,169	142,108,057	1,247,387	792,918

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

9. Financial Investments (Continued)

	2018 – IFRS 9 basis			2017
	Mandatory designation $'000	Designated by election $'000	Total $'000	IAS 39 basis $'000
Equity securities	21,606,828	5,324,435	26,931,263	-
Debt securities	7,778,092	-	7,778,092	-
Designated at fair value on initial recognition	-	-	-	28,798,722
Assets held for trading	-	-	-	1,075,666
	29,384,920	5,324,435	34,709,355	28,874,388

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

9. Financial Investments (Continued)

(a) Reclassification from IAS 39 to IFRS 9

The following table summarises the results of management's reclassification of financial investments from their IAS 39 categories to their IFRS 9 categories:

		The Group		
	IAS 39 classification	**Carrying value December 31, 2017 $'000**	**IFRS 9 classification**	**Carrying value January 1, 2018 $'000**
Debt securities	Available for sale	120,544,752	FVOCI	120,557,555
Debt securities	Fair value through income	10,114,102	FVTPL	10,114,102
Debt securities	Loans and receivables	58,282,978	Amortised cost	58,140,452
Equity securities	Available for sale	4,350,899	FVOCI	58,514
Equity securities	Fair value through income	19,760,286	FVTPL	24,052,670
Derivative financial instruments	Fair value through income	278,010	FVTPL	278,010
Mortgage loans	Loans and receivables	3,035,620	Amortized cost	3,034,764
Policy loans	Loans and receivables	938,856	Amortized cost	938,856
Loans and leases	Loans and receivables	61,431,486	Amortized cost	61,082,931
Other accounts receivables	Loans and receivables	3,108,401	Amortized cost	3,103,166
Securities purchased for resale	Loans and receivables	2,057,684	Amortized cost	2,057,684
Deposits	Loans and receivables	4,631,095	Amortized cost	4,631,095
		288,534,166		288,049,799
		The Company		
Debt securities	Available for sale	276,745	FVOCI	276,745
Debt securities	Loans and receivables	51,760	Amortised cost	51,638
Securities purchased for resale	Loans and receivables	81,186	Amortized cost	81,186
Deposits	Loans and receivables	383,227	Amortized cost	383,227
		792,918		792,796

The Group assessed its portfolio and identified certain securities which are managed separately and actively traded for capital gains. These securities which were previously classified as available for sale are reclassified to FVTPL under IFRS 9.

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

9. Financial Investments (Continued)

(b) Reconciliation of financial investment balances from IAS 39 to IFRS 9

The following tables reconcile the carrying amounts of financial investments, from their previous measurement category in accordance with IAS 39 as of December 31, 2017 to their new measurement categories upon transition to IFRS 9 as at January 1, 2018.

	The Group			
	IAS 39 carrying amount December 31, 2017 $'000	**Reclass-ifications**	**Remeasure-ments**	**IFRS 9 carrying amount January 1, 2018 $'000**
FINANCIAL INVESTMENTS AT AMORTISED COST:				
Debt securities				
Opening balance under IAS 39	58,282,978	-	-	
Subtraction to FVOCI- (IFRS 9)	-	(12,803)	-	
Re-measurement: ECL allowance	-	-	(129,723)	
Closing balance under IFRS 9				58,140,452
Mortgage Loans				
Opening balance under IAS 39	3,035,620	-	-	
Re-measurement: ECL allowance	-	-	(856)	
Closing balance under IFRS 9				3,034,764
Policy Loans				
Opening balance under IAS 39 and Closing balance under IFRS 9	938,856	-	-	938,856
Other accounts receivables				
Opening balance under IAS 39	3,108,401	-	-	
Re-measurement: ECL allowance	-	-	(5,235)	
Closing balance under IFRS 9				3,103,166

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

9. Financial Investments (Continued)

(b) Reconciliation of financial investment balances from IAS 39 to IFRS 9 (continued)

	The Group			
	IAS 39 carrying amount December 31, 2017 $'000	**Reclass-ifications**	**Remeasure-ments**	**IFRS 9 carrying amount January 1, 2018 $'000**
Loans and leases				
Opening balance under IAS 39	61,431,486	-	-	
Re-measurement: ECL allowance	-	-	(348,555)	
Closing balance under IFRS 9				61,082,931
Securities purchased for resale				
Opening balance under IAS 39 and Closing balance under IFRS 9	2,057,684	-	-	2,057,684
Deposits				
Opening balance under IAS 39 and Closing balance under IFRS 9	4,631,095	-	-	4,631,095
Total financial investments at amortised cost	133,486,120	(12,803)	(484,369)	132,988,948

	The Group			
	IAS 39 carrying amount December 31, 2017 $'000	**Reclass-ifications**	**Remeasure-ments**	**IFRS 9 carrying amount January 1, 2018 $'000**
FINANCIAL INVESTMENTS AT FVOCI:				
Debt securities				
Opening balance: Available for sale under IAS 39	120,544,752	-	-	
Addition: From held to Maturity (IAS 39)	-	12,803	-	
Closing balance under IFRS 9				120,557,555
Equity securities				
Opening balance: Available for sale under IAS 39	4,350,898	-	-	
Subtraction: To FVTPL (IFRS 9)	-	(4,292,384)	-	
Closing balance under IFRS 9				58,514
Total financial investments measured at FVOCI	124,895,650	(4,279,581)	-	120,616,069

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

9. Financial Investments (Continued)

(b) Reconciliation of financial investment balances from IAS 39 to IFRS 9 (continued)

	The Group			
	IAS 39 carrying amount December 31, 2017 $'000	**Reclass-ifications**	**Remeasure-ments**	**IFRS 9 carrying amount January 1, 2018 $'000**
FINANCIAL INVESTMENTS AT FVTPL:				
Debt securities				
Opening balance under IAS 39 and Closing balance under IFRS 9	10,114,102	-	-	10,114,102
Equity securities				
Opening balance under IAS 39	19,760,286	-	-	
Addition: From available for sale (IAS 39)	-	4,292,384	-	
Closing balance under IFRS 9			-	24,052,670
Derivative financial instruments				
Opening balance under IAS 39 and Closing balance under IFRS 9	278,010	-	-	278,010
Total financial investments measured at FVTPL	30,152,398	4,292,384	-	34,444,782

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

9. Financial Investments (Continued)

(b) Reconciliation of financial investment balances from IAS 39 to IFRS 9 (continued)

	The Company			
	IAS 39 carrying amount December 31, 2017 $'000	**Reclass-ifications**	**Remeasure-ments**	**IFRS 9 carrying amount January 1, 2018 $'000**
FINANCIAL INVESTMENTS AT FVOCI:				
Debt securities				
Opening balance: Available for sale under IAS 39 and Closing balance under IFRS 9	276,745	-	-	276,745
FINANCIAL INVESTMENTS AT AMORTISED COST:				
Debt securities				
Opening balance: Available for sale under IAS 39	51,760	-	-	
Re-measurement: ECL allowance	-	-	(122)	
Closing balance under IFRS 9				51,638
Securities purchased for resale				
Opening balance under IAS 39 and Closing balance under IFRS 9	81,186	-	-	81,186
Deposits				
Opening balance under IAS 39 and Closing balance under IFRS 9	383,227	-	-	383,227
Total financial instruments measured at AMORTISED COST:	516,173	-	(122)	516,051

9. Financial Investments (Continued)

Included in quoted equities classified as FVTPL (available-for-sale) are investments in Exchange Traded Funds (ETFs) by the Group totaling $2,219,215,000 (2017 - $2,468,578,000).

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

(i) Government of Jamaica Fixed Rate Benchmark Note with a carrying value of $9,700,000 (2017 - $9,700,000) which have been pledged with the National Commercial Bank Jamaica Limited by Sagicor Life Jamaica Limited.

(ii) Government of Jamaica Fixed Rate Benchmark Note with a carrying value of $90,000,000 (2017 - $90,000,000) which have been pledged with the Regulator, the Financial Services Commission, pursuant to Section 8 of the Insurance Regulations, 2001 by Sagicor Life Jamaica Limited.

(iii) Government of Jamaica Global bonds with a carrying value of US$23,094,080.37, a Petroleum Company of Trinidad & Tobago Limited Corporate bond with a carrying value of US$212,889 International Corporate bonds with a carrying value of US$31,538,926, a Peru Corporate bond with a carrying value of US$519,515 and Cash totaling US$3,015,307 have been pledged by the company as security for a loan facility of US$40,000,000 with Credit Suisse NY by Sagicor Life Jamaica Limited.

(iv) International bonds with a carrying value of US$14,709,970 have been pledged as security for margin loans of US$10,944,798 with Morgan Stanley Smith Barney by Sagicor Investments Jamaica Limited.

(v) Gilead Sciences Inc. Corporate bond with a carrying value of US$2,940,480; have been pledged as security for margin loans of US$2,505,347 with Jefferies LLC by Sagicor Investments Jamaica Limited.

10. Derivative Financial Instruments and Hedging Activity

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

	The Group	
	2018	**2017**
Derivatives – Assets	**$'000**	**$'000**
(i) Equity indexed options	31,464	278,010
Derivatives - Liabilities		
(i) Equity indexed options	31,464	278,010

(i) 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 34). Sagicor Investments Jamaica Limited is exposed to credit risk on purchased options only, and only to the extent of the carrying amount, which is their fair value.

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

11. Loans and Leases, after Allowance for Credit Losses

	The Group	
	2018	**2017**
	$'000	**$'000**
Gross loans and advances	70,704,169	62,676,995
Less: Allowance for credit losses	(1,737,811)	(1,529,725)
	68,966,358	61,147,270
Loan interest receivable	94,421	181,804
	69,060,779	61,329,074
Lease receivables	223,813	102,412
	69,284,592	61,431,486

The Group's current portion of loans and leases was $23,907,551,000 (2017 - $14,325,221,000).

The movement in the allowance for credit losses determined under the requirements of IFRS 9 is:

	The Group			
	Loans		Leases	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Total non-performing loans/leases	1,983,525	2,048,264	1,611	12,533
Balance at beginning of year	1,522,821	1,379,264	6,904	2,260
IFRS 9 adjustment	347,689	-	732	-
Movement during the year -				
Charged against profit during the year	1,032,423	934,609	-	4,644
Recoveries of bad debts	(408,357)	(228,042)	(5,045)	-
Charged in the income statement	624,066	706,567	(5,045)	4,644
Recoveries	(773,350)	(543,000)	-	-
Currency revaluation adjustment	13,994	(20,010)	-	-
Balance at end of year	1,735,220	1,522,821	2,591	6,904

Provision for credit losses:	The Group	
	2018	**2017**
	$'000	**$'000**
Loans	624,066	706,567
Leases	(5,045)	4,644
Other receivables	-	201
Total per income statement	619,021	711,412
Credit impairment losses:		
Investments	677,799	326,340
	1,296,820	1,037,752

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

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

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

	The Group	
	2018	**2017**
	$'000	**$'000**
Specific provision	1,708,357	1,878,871
General provision	734,486	567,809
	2,442,843	2,446,680
Excess of regulatory provision over IFRS provision recognised in the Bank reflected in non-distributable loan loss reserve (Note 31 (b))	706,097	525,802

Lease receivables:

	The Group	
	2018	**2017**
	$'000	**$'000**
Gross investment in finance leases -		
Not later than one year	100,839	67,127
Later than one year and not later than five years	168,312	59,382
	269,151	126,509
Less: Unearned income	(42,747)	(25,088)
Net investment in finance leases	226,404	101,421
Net investment in finance leases -		
Not later than one year	79,928	42,039
Later than one year and not later than five years	147,476	59,382
	227,404	101,421
Less: Provision for credit losses	(2,591)	(6,904)
Interest receivable	-	7,895
	224,813	102,412

Refer to Note 9 for summary of the results of management's reclassification as well as reconciliation of loans and leases from their IAS 39 category to their IFRS 9 category.

12. Pledged Assets

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

	The Group			
	Asset		Related Liability	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Balance with regulators	141,869	140,529	-	-
Investment securities and securities sold under repurchase agreements	9,650,825	17,502,259	6,814,731	12,770,433
	9,792,694	17,642,788	6,814,731	12,770,433

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	
	2018	**2017**
	$'000	**$'000**
Investment securities	70,485,620	81,608,214

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

13. Investment Properties

	The Group	
	2018	**2017**
	$'000	**$'000**
At beginning of year	530,000	488,000
Additions during the year (i)	6,349	-
Acquired on consolidation of Sagicor X Fund	2,113,735	-
Disposal during the year (ii)	(14,556)	-
Fair value losses	(83,068)	42,000
At end of year	2,552,460	530,000

The investment properties as at 31 December 2018 were valued at current market value by Allison Pitter & Company, qualified property appraisers and valuers.

(i) Additions during the year related to works done at Anchovy Estate (Sagicor Life Jamaica Limited).

(ii) Disposals during the year related to sale of the Sentry Palm Tower at The Jewel Grande Montego Bay property (X Fund Properties Limited).

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

	The Group	
	2018	**2017**
	$'000	**$'000**
Rental income	388,571	35,456
Direct operating expenses	(513,410)	(38,151)

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

14. Investment in Joint Venture

This relates to the group's investment in Sagicor Costa Rica

	The Group	
	2018	**2017**
	$'000	**$'000**
Balance at 1 January	356,391	397,822
Capital injection	18,724	19,460
Share of after tax earnings	18,007	(9,710)
Share of movement in equity reserves	(62,318)	(51,181)
Balance at 31 December	330,804	356,391

14. Investment in Joint Venture (Continued)

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

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

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

Summarised Financial Information of Joint Venture

Set out below are the summarized financial information for Grupo Sagicor GS, G.A. and subsidiary. which is accounted for using the equity method.

Summarised Balance Sheet

	The Group	
	2018	**2017**
	$'000	**$'000**
Current assets		
Cash and cash equivalents	497,253	449,930
Other current assets	1,614,995	1,296,142
	2,112,248	1,746,072
Non-current assets		
Investments	1,015,932	1,068,953
Other non-current asset	154,982	118,639
	1,170,914	1,187,592
Total Assets	3,283,162	2,933,664
Current liabilities		
Provision for unearned premiums	1,496,526	1,046,589
Other liabilities	1,125,026	1,174,293
	2,621,552	2,220,882
Total Liabilities	2,621,552	2,220,882
Net Assets	661,610	712,782

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

14. Investment in Joint Venture (Continued)

Summarised Financial Information of Joint Venture (Continued)

Summarised statement of comprehensive income

	The Group	
	2018	**2017**
	$'000	**$'000**
Insurance revenue	1,789,020	1,631,297
Insurance expenses	(1,211,770)	(1,167,989)
Underwriting profit	577,250	463,308
Other income	170,889	131,806
Operating expenses	(675,674)	(546,766)
Net profit before taxation	72,465	48,348
Taxation	(23,777)	(67,768)
Net (loss) / profit after tax for the period	48,688	(19,420)
Other comprehensive income	(140,911)	(80,961)
Total comprehensive income	(92,223)	(100,381)

Reconciliation of summarised financial information

Opening net assets at 1 January	712,782	795,647
Capital injection	18,724	38,917
Net profit/(loss) after tax for the period	48,688	(19,420)
Other comprehensive income	(140,911)	(80,961)
Other movement	22,327	(21,401)
Closing net assets	661,610	712,782

Reconciliation of the Group's share of 50% net assets –		
Opening net assets at 1 January	356,391	397,822
Other movement	(25,587)	(41,431)
Carrying value	330,804	356,391

15. Interest in Structured Entities

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

Consolidated Structured Entity
The Group has no consolidated structured entity.

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

(i) Sagicor Real Estate X Fund Limited
Sagicor Real Estate X Fund Limited (X Fund) has a separate Board of Directors. The company is 52.16% owned by the Sagicor Pooled Investment Fund Limited, which is a custodian trustee vehicle which holds the assets of the pension funds which are administered by the Group, through one of its subsidiaries, Sagicor Life Jamaica Limited. The company's investment is units in one of the eighteen portfolios managed by Sagicor Sigma Global Unit Trust, the Sagicor Sigma Global - Real Estate Portfolio and hotels operated by the X Fund Group. The fund manager for the eighteen portfolios operated by Sagicor Sigma Global Unit Trust is one of the Group subsidiaries, Sagicor Investments Jamaica Limited. Sagicor X Fund's main business activity is to invest in real estate activities.

See Note 16 for further details. On October 1, 2018, based on the significant control of the Group over Sagicor Real Estate X Fund Limited, accounting treatment for the company changed to be reflected as a subsidiary and consolidated with the Group's results. See note 3 (a) (i) and 64 for further details.

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

(ii) Sagicor Pooled Investment Fund
Sagicor Pooled Investment Fund Limited is a custodian trustee for the assets of the Pooled Pension Investment Funds which are held in trust on behalf of pension funds. The trust has a separate Board of Directors. The administration of the assets in trust is done by one of the Group's subsidiaries, Employee Benefits Administrator Limited. The investment manager of these Funds is also one of the Group's subsidiaries, Sagicor Life Jamaica Limited. Both the administration of the assets and the provision of investment management services entitled the Group to receive management fees based on the assets under management. See critical accounting estimates Note 3 (a) (i) for further details.

15. Interest in Structured Entities (Continued)

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

	The Group	
	2018	**2017**
	$'000	**$'000**
Total assets of the company	158,043,901	142,198,902
Maximum exposure to loss	19,446,979	17,598,774
Total income from the Group's interests	2,002,006	3,493,327

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

(iii) Sagicor Sigma Global Unit Trust

The Group established the Sagicor Sigma Global Unit Trust to provide customers with investment opportunities. The Unit Trust comprises twenty-one portfolios. See Note 3 (a) (i) for further details.

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

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

	The Group	
	2018	**2017**
	$'000	**$'000**
Total assets of the Unit Trust	101,279,493	108,050,311
The Group's interest – Carrying value of units held (included in available-for-sale investment securities – Note 9)	-	2,918,069
The Group's interest – Carrying value of units held (included in fair value through profit and Loss – Note 9)	23,006,257	17,892,774
Maximum exposure to loss	(23,006,257)	(25,240,893)
Liability to the Unit Trust in relation to investment in repurchase obligations (included in repurchase obligations on the consolidated statement of financial position)	19,114,002	8,807,603
Total income from the Group's interests	2,262,217	1,623,066

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

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

16. Investment in Associated Company

In September 2015, Sagicor Group acquired of 598,134,700 Sagicor Real Estate X Fund Limited shares, a 21% interest, by way of a non-renounceable rights issue at $6.95 per share. This acquisition took the Sagicor Group's holding to 29.3%.

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

On June 2, 2018, Sagicor X Fund entered a definitive agreement for a business combination with Playa Hotels & Resorts N.V. (Playa). In exchange, Sagicor Group received 20 million shares of Playa common stock and US$100 million in cash. Sagicor X Fund controls 15.328% of the 130,478,993 shares issued by Playa, through its subsidiary company, Jamziv Montego Bay Portfolio Jamaica Limited. Based on Sagicor X Fund's levels of investment in, and significant influence over, Playa, Sagicor X Fund is accounting for its investment in Playa as an associated company from the date of acquisition as required by IAS 28. There are no contingent liabilities relating to the Group's interest in the associated company.

On October 1, 2018, Sagicor Group Jamaica obtained control over Sagicor X Fund, which resulted in the accounting treatment changing from investment in associate to a subsidiary as required by IFRS 3. Consequently, the results of Sagicor X Fund have been consolidated in these financial statements.

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

	The Group				The Company	
	X Fund $'000	**Playa $'000**	**2018 $'000**	**2017 $'000**	**2018 $'000**	**2017 $'000**
Opening net assets at 1 January/Investment, at cost	7,050,842	-	7,050,842	6,115,829	3,305,560	3,305,560
Acquisition of shares (i)	-	-	-	865,346	-	-
Disposal of interest (ii)	(7,701,776)	-	(7,701,776)	(796,823)	(3,305,560)	-
Fair value of associate (iii)	-	25,819,032	25,819,032	-	-	-
Share of:						
Income before taxation	278,315	(177,199)	101,116	945,838	-	-
Income taxes	(71,472)	(110,183)	(181,655)	(82,992)	-	-
	206,843	(287,382)	(80,539)	862,846	-	-
Other comprehensive income	104,403	786,465	890,868	106,039	-	-
Effects of exchange rate changes	339,688	(1,553,425)	(1,213,737)	-	-	-
Total Comprehensive income	650,934	(1,054,342)	(403,408)	968,885	-	-
Dividend paid	-	-	-	(102,395)	-	-
Investment, end of year	-	24,764,690	24,764,690	7,050,842	-	3,305,560

(i) In May 2017, the Group acquired an additional 74,100,770 shares, a 3.3% interest. In August 2017, a further 2,500,000 shares, 0.11% holdings, were obtained on settlement of an annuity contact. These acquisitions increased the Sagicor Group's holdings to 32.72%.

(ii) In October 2017, the Group reduced its holdings in Sagicor Real Estate X Fund Limited by 3.41% to 29.31% when it sold 76,470,770 shares.

(iii) This amount represents the fair value of the associate, Playa Hotels & Resorts N.V. on October 1, 2018 as determined by reference to the quoted price on NASDAQ.

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

16. Investment in Associated Company (Continued)

(b) The carrying values of the Group's investment in Sagicor Real Estate X Fund Limited and the values indicated by prices quoted on the Jamaica Stock Exchange ("JSE Indicative Value") as at September 30, 2018 and December 31, 2017 are as follows:

	Carrying Value	JSE Indicative Value	Carrying Value	JSE Indicative Value
	2018	**2018**	**2017**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
The Group				
Sagicor Real Estate X Fund Limited	-	-	7,050,842	9,828,326
The Company				
Sagicor Real Estate X Fund Limited	-	-	3,305,560	7,077,539

(c) *Summarised Financial Information of Associated Company*

Set out below are the summarized financial information for Sagicor Real Estate X Fund Limited which is accounted for using the equity method as at December 31, 2017 and September 30, 2018.

Summary Balance Sheet

		The Group and the Company	
		2018	**2017**
		$'000	**$'000**
Current assets:	Cash resources	2,076,418	966,186
	Other current assets	2,290,835	2,485,152
		4,367,253	3,451,338
Non-current assets:	Investments	1,286,022	15,447,617
	Other non-current asset	44,330,888	28,183,680
		45,616,910	43,631,297
Total Assets		49,984,163	47,082,635
Current liabilities:	Loans payable	704,252	1,823,400
	Other liabilities	2,449,104	1,499,696
		3,153,356	3,323,096
Non-current liabilities:	Loan payable	9,968,611	19,634,744
	Other liabilities	693,752	1,426,404
Total Liabilities		13,815,719	24,384,244
Less Minority Interest		11,249,190	-
Net Assets		24,919,254	22,698,391

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

16. Investment in Associated Company (Continued)

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

Summarised statement of comprehensive income

	The Group and The Company	
	2018	**2017**
	$'000	**$'000**
Revenue	7,039,535	10,259,556
Other operating income	151,290	2,747,927
Operating expenses	(6,176,502)	(9,989,445)
Operating Profit	1,014,323	3,018,038
Share of Profits from Associate	(106,505)	-
Net Profit	907,818	3,018,038
Taxation	(243,849)	(267,347)
Net Profit after tax	663,969	2,750,691
Minority Interest	(41,739)	-
Net Profit Attributable to Controlling Interest	705,708	-
Other comprehensive income	1,515,153	361,658
Total comprehensive income	2,220,861	3,112,349

(d) Reconciliation of the Group's 29.31% interest:

Share of net assets	7,303,833	6,652,816
Intangible assets including goodwill	397,934	398,026
Carrying value	7,701,767	7,050,842

(e) The carrying values of investment in associated company, Playa Hotels & Resorts N.V. and the values indicated by prices quoted on the National Association of Securities Dealers Automated Quotation ("NASDAQ Indicative Value") as at December 31, 2018 are as follows:

	Carrying Value	**NASDAQ Indicative Value**
	2018	**2018**
	$'000	**$'000**
The Group	24,764,690	18,234,545

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

16. Investment in Associated Company (Continued)

(f) *Summarised Financial Information of Associated Company*

Set out below are the summarized financial information for, Playa Hotels & Resorts N.V., which is accounted for using the equity method as at December 31, 2018.

Summary Balance Sheet

		The Group	
		2018	**2017**
		$'000	**$'000**
Current assets:	Cash resources	14,754,131	-
	Other current assets	15,116,032	-
		29,870,163	-
Non-current assets:	Property, Plant and equipment, net	231,793,892	-
	Other non-current asset	11,562,832	-
		243,356,724	-
Total Assets		273,226,887	-
Current liabilities:			
Financial Liabilities		1,582,018	-
	Other liabilities	21,026,662	-
		22,608,680	-
Non-current liabilities:	Loan payable	125,459,120	-
	Other liabilities	16,184,743	-
Total Liabilities		164,252,543	-
Net Assets		108,974,344	-

Summarised statement of comprehensive income for the period October 1, 2018 to December 31, 2018.

	The Group and The Company	
	2018	**2017**
	$'000	**$'000**
Revenue	19,507,584	-
Operating expenses	(17,780,334)	-
Operating profit	1,727,250	-
Other operating income	598,663	-
Interest expense	(3,481,964)	
Net profit	(1,156,051)	-
Taxation	(718,833)	-
Net profit after tax	(1,874,884)	-
Other comprehensive income	786,465	-
Total comprehensive income	(1,088,419)	-

(g) Reconciliation of the Group's 15.328% interest:

Share of net assets	16,703,587	-
Intangible assets including goodwill	8,061,103	-
Carrying value	24,764,690	-

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

17. Investment in Subsidiaries

	2018	2017
	$'000	$'000
Shares in member companies at cost:		
Sagicor Life Jamaica Limited	34,257,354	34,257,354
Sagicor Life of the Cayman Islands Ltd.	10,858,929	10,858,929
Sagicor Re Insurance Limited	211,028	211,028
Sagicor Insurance Brokers Limited	33,181	33,181
Sagicor International Administrators Limited	5,783	5,783
Sagicor Property Services Limited	150,000	150,000
Sagicor Pooled Investments Limited	1	1
Sagicor Investments Jamaica Limited	10,742,300	10,742,300
Sagicor Bank Jamaica Limited	11,821,188	11,821,188
Sagicor Securities Jamaica Limited	583,974	583,974
Employee Benefits Administrator Limited	85,001	85,001
Travel Cash Jamaica Limited (i)	390,000	-
Sagicor Real Estate X Fund Limited (ii)	3,305,560	-
	72,444,299	68,748,739

(i) Travel Cash Jamaica Limited
On December 1, 2018 Sagicor Group Jamaica Limited acquired a 51% interest in Travel Cash Jamaica Limited, at a cost of $390,000,000.

(ii) Sagicor Real Estate X Fund Limited
On October 1, 2018 Sagicor Group Jamaica Limited obtained control over its Associated Company, Sagicor Real Estate X Fund Limited. As of that date the accounting for the company was changed from the equity method to full consolidation.

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

18. Intangible Assets

	The Group					
	Goodwill	Contractual Customer Relationship	Trade Names	Computer Software	Sagicor Real Estate X-Fund Group	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost -						
At 1 January 2017	2,247,720	4,553,499	473,433	2,428,919	-	9,703,571
Additions	-	-	-	504,188	-	504,188
Translation adjustment	(19,324)	-	-	(87)	-	(19,411)
At 31 December 2017	2,228,396	4,553,499	473,433	2,933,020	-	10,188,348
Acquired on acquisitions	189,994	145,000	4,000	-	1,576,349	1,915,343
Additions	-	-	-	314,905	-	314,905
Translation adjustment	13,217	-	-	60	-	13,277
Disposal	-	-	-	-	(15,436)	(15,436)
At 31 December 2018	2,431,607	4,698,499	477,433	3,247,985	1,560,913	12,416,437
Amortisation -						
At 1 January 2017	-	2,795,460	473,433	1,119,047	-	4,387,940
Amortisation charge	-	214,414	-	458,325	-	672,739
Translation adjustment	-	-	-	(61)	-	(61)
At 31 December 2017	-	3,009,874	473,433	1,577,311	-	5,060,618
Acquired on acquisitions	-	-	-	-	-	-
Amortisation charge	-	215,884	34	488,282	-	704,200
Translation adjustment	-	-	-	38	-	38
At 31 December 2018	-	3,225,758	473,467	2,065,631	-	5,764,856
Net Book Value -					-	
31 December 2017	2,228,396	1,543,625	-	1,355,709	-	5,127,730
31 December 2018	2,431,607	1,472,741	3,966	1,182,354	1,560,913	6,651,581

Amortisation charges of $704,200,000 (2017 - $672,739,000) have been included in expense for the Group.

	The Company
	Computer Software
	$'000
Cost -	
At 1 January 2017	1,402,183
Additions	80,871
At 31 December 2017	1,483,054
Additions	124,762
At 31 December 2018	1,607,816
Amortisation -	
At 1 January 2017	383,699
Amortisation charge	290,772
At 31 December 2017	674,471
Amortisation charge	311,186
At 31 December 2018	985,657
Net Book Value -	
31 December 2017	808,583
31 December 2018	622,159

Amortisation charges of $311,186,000 (2017 - $290,771,000) have been included in expense for the Company.

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

18. Intangible Assets

	X Fund Properties LLC			
	Goodwill $'000	**Computer Software $'000**	**Franchise Relationship $'000**	**Total $'000**
Cost -				
At 1 January 2017	-	-	-	-
Additions	-	-	-	-
At 31 December 2017	-	-	-	-
Acquired on acquisition (note 64)	1,231,913	15,436	329,000	1,576,349
Disposal	-	(15,436)	-	(15,436)
At 31 December 2018	1,231,913	-	329,000	1,560,913
Amortisation -				
At 1 January 2017 and 31 December 2018	-	-	-	-
Net Book Value -				
31 December 2017	-	-	-	-
31 December 2018	1,231,913	-	329,000	1,560,913

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

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	
	2018	**2017**
	$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	632,626	620,149
Sagicor Investments Jamaica Limited	186,066	186,066
Sagicor Insurance Managers Limited	37,604	36,864
Travel Cash Jamaica Limited	189,994	-
	2,431,607	2,228,396
Sagicor Real Estate X - Fund Limited (Note 64)	1,231,913	-
	3,663,520	2,228,396

(i) At 31 December 2018, management tested goodwill and the unamortised balance of other purchased intangibles allocated to Sagicor Life Jamaica Individual Lines Division, Sagicor Life Jamaica Employee Benefits Division, and Sagicor Life of the Cayman Islands Individual Lines Division, Sagicor Insurance Managers Ltd. and Sagicor Investments Jamaica Limited and Travel Cash Jamaica Limited for impairment.

(ii) The recoverable amounts of Sagicor Life 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.

(iii) The recoverable amounts of the non-life CGUs, Sagicor Investments Jamaica Limited, Sagicor Insurance Managers Limited and Travel Cash Jamaica Limited 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**	**Discount Rate**
Sagicor Life Jamaica Individual Life Division	10.0	-	-
Sagicor Life Jamaica Employee Benefits Division	10.8	-	-
Sagicor Life of the Cayman Islands Individual Life Division	8.8	-	-
Sagicor Investments Jamaica Limited	-	4.75%	14.04%
Sagicor Real Estate X - Fund Limited	-	6.00%	12.82%
Sagicor Insurance Managers Ltd.	-	2.00%	13.22%
Travel Cash	-	6.75%	15.71%

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

19. Property, Plant and Equipment

	The Group						
	Leasehold Buildings & Improvements	**Freehold Land & Buildings**	**Furniture & Equipment**	**Motor Vehicles**	**Capital Works in Progress**	**X Fund**	**Total**
Cost or Valuation -	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 January 2017	907,554	2,701,453	3,111,310	192,218	557,908	-	7,470,443
Additions	95,071	35,861	613,288	82,491	-	-	826,711
Transfers	-	543,339	15,417	-	(558,756)	-	-
Revaluation adjustments	-	112,353	-	-	-	-	112,353
Disposals	-	-	-	(70,142)	-	-	(70,142)
Translation adjustment	(1,454)	(16,670)	(1,885)	-	848	-	(19,161)
At 31 December 2017	1,001,171	3,376,336	3,738,130	204,567	-	-	8,320,204
Additions	101,762	312	395,368	66,545	-	24,206	588,193
Acquired on acquisitions	121	-	3,533	-	-	16,623,037	16,626,691
Revaluation adjustments	-	228,028	-	-	-	-	228,028
Disposals	-	(1,050,615)	(472)	(19,149)	-	-	(1,070,236)
Translation adjustment	994	11,043	1,721	-	-	(793,837)	(780,079)
At 31 December 2018	**1,104,048**	**2,565,104**	**4,138,280**	**251,963**	**-**	**15,853,406**	**23,912,801**
Accumulated Depreciation -							
At 1 January 2017	465,526	256,780	1,979,625	117,314	-	-	2,819,245
Charges for the year	75,623	42,771	353,124	36,683	-	-	508,201
Relieved on revalued assets	-	(14,510)	-	-	-	-	(14,510)
Relieved on disposals	-	-	-	(53,147)	-	-	(53,147)
Translation adjustment	(1,196)	(210)	(1,825)	-	-	-	(3,231)
At 31 December 2017	539,953	284,831	2,330,924	100,850	-	-	3,256,558
Charges for the year	84,223	46,676	410,322	40,707	-	162,039	743,966
Acquired on acquisitions	28		3,020			1,204,726	1,207,774
Relieved on revalued assets	-	(25,425)	-	-	-	-	(25,426)
Relieved on disposals	-	(183,881)	(65)	(18,024)	-	-	(201,970)
Translation adjustment	735	139	1,176	-	-	(70,562)	(68,512)
At 31 December 2018	**624,939**	**122,340**	**2,475,377**	**123,533**		**1,296,203**	**4,912,390**
Net Book Value -							
31 December 2017	461,218	3,091,505	1,407,206	103,717	-	-	5,063,646
31 December 2018	**479,109**	**2,442,764**	**1,392,905**	**128,430**	**-**	**14,557,203**	**19,000,411**

Property, plant and equipment for X Fund mainly consist of Hotel properties.

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

19. Property, Plant and Equipment (Continued)

	The Company			
	Leasehold Improvement	**Furniture & Equipment**	**Motor Vehicle**	**Total**
Cost or Valuation -				
At 1 January 2017	-	258,470	-	258,470
Additions	15,278	166,532	-	181,810
At 31 December 2017	15,278	425,002	-	440,280
Additions	18,368	39,965	-	58,333
Transfers in / (out)	-	610	11,000	11,610
At 31 December 2018	33,646	465,577	11,000	510,223
Accumulated Depreciation -				
At 1 January 2017	-	66,294	-	66,294
Charges for the year	1,123	63,870	-	64,993
At 31 December 2017	1,123	130,164	-	131,287
Charges for the year	2,615	92,441	2,017	97,073
Transfers in / (out)	-	173	2,383	2,556
At 31 December 2018	3,738	222,778	4,400	230,916
Net Book Value -				
31 December 2017	14,155	294,838	-	308,993
31 December 2018	**29,908**	**242,798**	**6,600**	**279,307**

In accordance with the Group's policy, owner-occupied properties were independently revalued during the year by professional real estate valuators. The excess of revalued amount over the carrying value of these property, plant and equipment, amounting to $253,454,000 (2017 - $126,863,000), 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	
	2018	**2017**
	$'000	**$'000**
Cost	10,679,582	1,121,149
Accumulated depreciation	(772,503)	(51,151)
Net book value	9,907,079	1,069,998
Carrying value of revalued assets	14,767,915	1,920,966

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

20. Reinsurance Contracts

	The Group	
	2018	**2017**
	$'000	**$'000**
Claims recoverable from reinsurers	564,959	302,776
Unearned premiums ceded to reinsurers	178,186	119,872
Reinsurers share of insurance liabilities	22,506	42,898
	765,651	465,546

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	
	2018	**2017**
	$'000	**$'000**
Retirement benefit assets -		
Pension scheme	183,351	517,261
Retirement benefit obligations -		
Pension scheme	301,042	53,988
Other post-retirement benefits	2,775,363	3,479,475
	3,076,405	3,533,463

Pension schemes comprised the following –

	2018	**2017**
	$'000	**$'000**
Retirement benefit assets	(183,351)	(517,261)
Retirement benefit obligations	301,042	53,988
	117,691	(463,273)

The Group operates the following pension plans:

(i) Sagicor Life Jamaica Limited operates a defined contribution plan for eligible sales agents and admin staff joining on or after August 1, 2009 and defined benefit plan for eligible administrative staff before August 1, 2009. The assets are held in a trust fund and are separate and apart from the assets of the company. The benefits for the DB plan are based on service and salary, whereas the benefits for agents are based on contributions and interest. The solvency level (the ratio of assets to past service liabilities) as at the last triennial funding valuation (2015) was 106%.

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

(iii) Sagicor Investments Jamaica Limited and former Sagicor Bank Jamaica Limited operate a defined contribution (DC) and defined benefit (DB) pension plans covering its 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 (2017) was 130% and 114% for the DB and DC plan respectively.

21. Retirement Benefits (Continued)

(iv) Sagicor Bank Jamaica Limited, formerly RBC Bank Jamaica Limited, has a DC plan covering all permanent employees not covered under the DC and DB Plans operated in conjunction with Sagicor Investments Jamaica Limited. The assets of this funded plan 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 (2017) was 109%.

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 recognised fully as a charge to shareholders' equity.

(a) Pension schemes

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

	The Group	
	2018	**2017**
	$'000	**$'000**
Present value of funded obligations	23,501,301	20,904,965
Fair value of plan assets	(23,383,610)	(21,368,238)
(Surplus) / deficit of funded plan	117,691	(463,273)
(Asset) / liability in the balance sheet	117,691	(463,273)

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

	The Group	
	2018	**2017**
	$'000	**$'000**
Liability at start of year	20,904,965	20,051,274
Current service cost	521,649	572,500
Interest cost	1,643,504	1,772,702
Net expense recognised in income	2,165,153	2,345,202
Re-measurements:		
(Gains)/losses from changes in financial assumptions	1,212,707	1,747,124
(Gains)/losses from changes in experience	(539,065)	(2,972,604)
Net (gains)/losses recognised in other comprehensive income	673,642	(1,225,480)
Contributions by the members	577,273	542,187
Value of purchased annuities	614,572	714,687
Benefits paid	(1,434,304)	(1,522,905)
Net Liability, end of year	23,501,301	20,904,965

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

21. Retirement Benefits (Continued)

(a) Pension schemes (continued)

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

	The Group	
	2018	**2017**
	$'000	**$'000**
Balance at start of year	21,368,238	17,606,932
Contributions made by the employer	387,776	424,737
Contributions by the members	577,273	542,187
Value of purchased annuities	614,572	714,687
Benefits paid	(1,427,629)	(1,516,461)
Interest income on plan assets	1,717,374	1,594,152
Re-measurement:		
(Gains)/losses from changes in financial assumptions	22,326	89,861
Losses from changes in experience	123,680	1,912,143
Net losses recognised in other comprehensive income	146,006	2,002,004
Balance, end of year	23,383,610	21,368,238

The amounts recognised in the income statements as follows:

	The Group	
	2018	**2017**
	$'000	**$'000**
Current service cost	521,649	572,500
Interest cost on plan obligation	1,643,504	1,772,702
Interest income on plan assets	(1,717,374)	(1,594,152)
Total, included in staff cost (Note 45)	447,779	751,050

The amounts recognised in other comprehensive income is as follows:

	The Group	
	2018	**2017**
	$'000	**$'000**
Change in financial assumptions	1,190,381	1,657,263
Experience adjustments	(662,745)	(4,884,747)
	527,636	(3,227,484)
Deferred tax	(146,766)	885,649
	380,870	(2,341,835)

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

21. Retirement Benefits (Continued)

(a) Pension schemes (continued)

The principal actuarial assumptions used were as follows:

	The Group	
	2018	**2017**
Discount rate - J$ benefits	7.00%	8.00%
Discount rate - US$ Indexed benefits	6.00%	5.00%
Inflation	3.00%	5.00%
Expected return on plan assets	7.00%	8.00%
Future salary increases	7.00%	7.50%
Future pension increases	0.50%	1.00%
Minimum Funding Rate (MFR) as a % of payroll	0.25%	0.25%
Average expected remaining working lives (years)	13	13

Pension plan assets are comprised as follows:

	The Group			
	2018		**2017**	
	$'000	**%**	**$'000**	**%**
Equities	8,130,931	35	7,006,037	33
Mortgages and real estate	4,555,372	19	3,733,386	18
Money market fund	303,593	1	292,341	1
Fixed income fund	2,082,558	9	1,976,276	9
Foreign currency fund	2,933,998	13	2,937,018	14
Global market fund	738,632	3	654,311	3
Diversified investment fund	-	-	691,592	3
Inflation-linked	517,466	2	609,539	3
	19,262,550	82	17,900,500	84
Value of purchased annuities	4,121,059	18	3,467,738	16
	23,383,610	100	21,368,238	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.

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

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	
	2018	**2017**
	$'000	**$'000**
Present value of unfunded obligations	2,968,923	3,658,697
Fair value of plan assets	(193,560)	(179,222)
Liability in the statement of financial position	2,775,363	3,479,475

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

	The Group	
	2018	**2017**
	$'000	**$'000**
Liability at beginning of year	3,658,697	3,888,605
Current service cost	181,854	202,518
Interest cost	288,941	347,535
Net expense recognised in income	470,795	550,053
Re-measurement:		
Losses/(gains) from changes in financial assumptions	786,061	896,877
Gains/(losses) from changes in experience	(1,850,940)	(1,598,499)
Net (Gains)/losses recognised in other comprehensive income	(1,064,879)	(701,622)
Benefits paid	(95,690)	(78,339)
Net Liability, end of year	2,968,923	3,658,697

The principal actuarial assumption used was as follows:

	The Group	
	2018	**2017**
Rate of medical inflation	5%	7%

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

21. Retirement Benefits (Continued)

(b) Other post-retirement benefits (continued)

The amounts recognised in the income statements are as follows:

	The Group	
	2018	**2017**
	$'000	**$'000**
Current service cost	181,854	202,518
Interest cost	288,941	347,535
Benefits paid	(14,338)	(14,798)
Total, included in staff cost (Note 45)	456,457	535,255

The amounts recognised in other comprehensive income is as follows:

	The Group	
	2018	**2017**
	$'000	**$'000**
Change in financial assumptions	786,061	896,877
Experience adjustments	(1,850,940)	(1,598,499)
	(1,064,879)	(701,622)
Deferred tax	325,939	193,578
	(738,940)	(508,044)

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

	The Group	
	2018	**2017**
	$'000	**$'000**
Balance	179,222	164,424
Interest income on plan assets	14,338	14,798
Balance, end of year	193,560	179,222

(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.

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

21. Retirement Benefits (Continued)

(c) Plan risks (continued)

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.

(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	(217,000)	270,000
Sagicor Property Services Limited	(4,498)	5,810
Sagicor Investments Jamaica Limited	(18,000)	23,000
Sagicor Bank Jamaica Limited	(132,000)	170,000
Total Group	(371,498)	468,810

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

21. Retirement Benefits (Continued)

(d) Sensitivity tests

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

	Decrease by 1% Increase/ (Decrease) in Pension benefits $'000	Decrease by 1% Increase/ (Decrease) in Health & Life benefits $'000	Total $'000
Sagicor Life Jamaica Limited	1,196,000	314,000	1,510,000
Sagicor Property Services Limited	35,610	6,300	41,910
Sagicor Investments Jamaica Limited	141,000	26,000	167,000
Sagicor Bank Jamaica Limited	110,000	182,000	292,000
Total Group	1,482,610	528,300	2,010,910

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

	Increase by 1% Increase/ (Decrease) in Pension benefits $'000	Increase by 1% Increase/ (Decrease) in Health & Life benefits $'000	Total $'000
Sagicor Life Jamaica Limited	(917,000)	(250,000)	(1,167,000)
Sagicor Property Services Limited	(24,582)	(4,813)	(29,395)
Sagicor Investments Jamaica Limited	(108,000)	(19,000)	(127,000)
Sagicor Bank Jamaica Limited	(85,000)	(139,000)	(224,000)
Total Group	(1,134,582)	(412,813)	(1,547,395)

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

	Decrease by 1% Increase/ (Decrease) in Pension benefits $'000	Decrease by 1% Increase/ (Decrease) in Health & Life benefits $'000	Total $'000
Sagicor Life Jamaica Limited	(378,000)	(17,000)	(395,000)
Sagicor Property Services Limited	(11,953)	(276)	(12,229)
Sagicor Investments Jamaica Limited	(42,000)	(1,000)	(43,000)
Sagicor Bank Jamaica Limited	(27,000)	(5,000)	(32,000)
Total Group	(458,953)	(23,276)	(482,229)

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

21. Retirement Benefits (Continued)

(d) Sensitivity tests (continued)

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

	Increase by 1% Increase/ (Decrease) in Pension benefits $'000	Increase by 1% Increase/ (Decrease) in Health & Life benefits $'000	Total $'000
Sagicor Life Jamaica Limited	410,000	19,000	429,000
Sagicor Property Services Limited	14,388	328	14,716
Sagicor Investments Jamaica Limited	47,000	2,000	49,000
Sagicor Bank Jamaica Limited	31,000	6,000	37,000
Total Group	502,388	27,328	529,716

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

	Decrease by 1% Increase/ (Decrease) in Pension benefits $'000	Increase by 1% Increase/ (Decrease) in Pension benefits $'000
Sagicor Life Jamaica Limited	(1,324,000)	1,514,000
Sagicor Property Services Limited	(16,161)	18,860
Sagicor Investments Jamaica Limited	(66,000)	77,000
Sagicor Bank Jamaica Limited	(466,000)	548,000)
Total Group	(1,872,161)	2,157,860

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

21. Retirement Benefits (Continued)

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

	Decrease by 1 year Increase/ (Decrease) in Pension benefits $'000	Decrease by 1 year Increase/ (Decrease) in Health & Life benefits $'000	Total $'000
Sagicor Life Jamaica Limited	(99,000)	(59,000)	(158,000)
Sagicor Property Services Limited	(2,552)	(908)	(3,460)
Sagicor Investments Jamaica Limited	(9,000)	(3,000)	(12,000)
Sagicor Bank Jamaica Limited	(12,000)	(25,000)	(37,000)
Total Group	(122,552)	(87,908)	(210,460)

	Increase by 1 year Increase/ (Decrease) in Pension benefits $'000	Increase by 1 year Increase/ (Decrease) in Health & Life benefits $'000	Total $'000
Sagicor Life Jamaica Limited	74,000	59,000	133,000
Sagicor Property Services Limited	1,961	901	2,862
Sagicor Investments Jamaica Limited	8,000	3,000	11,000
Sagicor Bank Jamaica Limited	11,000	25,000	36,000
Total Group	94,961	87,901	182,862

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 2018 consists of bonds and equities.

The weighted average duration of the defined benefit obligation range from 31 years (2017 – 34 years) to 41 years (2017 – 42 years).

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

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 (Sagicor Group Jamaica Limited);
(b) 25% for subsidiaries including Sagicor Life Jamaica Limited, Sagicor Property Services Limited;
(c) 33⅓% for Sagicor Investments Jamaica Limited, Sagicor Bank Jamaica Limited, Employee Benefits Administrator Limited, Sagicor Insurance Brokers Limited, Sagicor Insurance Administrators Limited Sagicor Securities Jamaica Limited;
(d) 1% for the subsidiaries incorporated in St. Lucia;
(e) The subsidiaries incorporated in Grand Cayman operate under a zero tax regime;

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

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Deferred income tax assets, net	(3,405,053)	(2,351,201)	(88,670)	(14,155)
Deferred income tax assets, liability	412,486	-	-	-

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

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Balance as at 1 January	(2,351,201)	(4,538,842)	(14,155)	(22,673)
Charged/(credited) to the income statement (Note 49(a))	183,507	180,897	(74,011)	8,518
Tax charged/(credited) to components in other comprehensive income (Note 49(d))	(1,212,789)	2,006,744	(474)	-
Tax charged/(credited) directly to equity – IFRS 9	(24,570)	-	(30)	-
	(3,405,053)	(2,351,201)	(88,670)	(14,155)

The amounts shown in the statement of financial position for Net Deferred Tax Assets included the following:

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets to be recovered after more than 12 months	(3,668,070)	(2,949,994)	(121,118)	(55,901)
Deferred tax liabilities to be settled after more than 12 months	399,331	712,576	29,762	36,600

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

22. Deferred Income Taxes (Continued)

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

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Deferred income tax assets -				
Property, plant and equipment	(223,493)	(68,923)	(121,107)	(55,901)
Investment securities - available-for-sale	(1,557,147)	(146,552)	-	-
Trading securities	-	(125,104)	-	-
Derivatives	-	-	-	-
Tax losses unused	(893,509)	(1,523,726)	-	-
Unrealised foreign exchange losses	(436,737)	(347,801)	-	-
Impairment losses on loans & investment securities (IFRS 9)	(30,769)	-	(11)	-
Pensions and other post-retirement benefits	(791,657)	(850,493)	-	-
Interest payable	-	-	-	-
Other	(105,559)	(204,821)	-	-
	(4,038,871)	(3,267,420)	(121,118)	(55,901)
Deferred income tax liabilities -				
Property, plant and equipment	115,027	213,130	-	-
Trading Investment Securities	223,967	-	-	-
Investment securities - available-for-sale	-	242,058	-	-
Investment securities - OCI	1,241	-	1,241	-
Derivatives	-	103,672	-	-
Unrealised foreign exchange gains	28,520	36,600	28,520	36,600
Impairment losses on loans	106,691	116,729	-	-
Interest receivable	158,372	204,030	2,687	5,146
	633,818	916,219	32,448	41,746
Net deferred tax asset	(3,405,053)	(2,351,201)	(88,670)	(14,155)

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

22. Deferred Income Taxes (Continued)

The movement in net deferred tax assets is as follows:

	The Group							
	Property, plant and equipment	Fair value gains	Unused tax losses	Unrealised foreign exchange gains	Loan & Investment Securities loss provision	Post-employment benefits	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2017	205,718	(866,555)	(1,857,495)	(212,981)	(12,386)	(1,714,041)	(81,102)	(4,538,842)
(Credited)/charged to income statement	(75,611)	27,211	333,769	(98,220)	129,115	(215,678)	80,311	180,897
Credited to other comprehensive income	14,100	913,418	-	-	-	1,079,226	-	2,006,744
At 31 December 2017	144,207	74,074	(1,523,726)	(311,201)	116,729	(850,493)	(791)	(2,351,201)
(Credited)/charged to income statement	(267,798)	245,401	630,217	(97,016)	(260,566)	(120,335)	53,604	183,507
Credited to other comprehensive income	15,125	(1,651,414)	-	-	244,329	179,171	-	(1,212,789)
Credited directly to equity	-	-	-	-	(24,570)	-	-	(24,570)
At 31 December 2018	(108,466)	(1,331,939)	(893,509)	(408,217)	75,922	(791,657)	52,813	(3,405,053)

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

	The Group	
	2018	2017
	$'000	$'000
Balance as at 1 January	-	-
On acquisition of Sagicor Real Estate X-Fund	418,121	-
Charged/(credited) to the income statement (Note 49(a))	32,070	-
Tax charged/(credited) to components in other comprehensive income (Note 49(d))	2	-
Foreign exchange impact	(37,707)	-
	412,486	-

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

22. Deferred Income Taxes (Continued)

The amounts shown in the statement of financial position for Net Deferred Tax Liability included the following:

	The Group	
	2018	**2017**
	$'000	**$'000**
Deferred tax assets to be recovered after more than 12 months	(228,587)	-
Deferred tax liabilities to be settled after more than 12 months	1,397,451	-

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

	The Group	
	2018	**2017**
	$'000	**$'000**
Deferred income tax assets -		
Tax losses unused	(22,143)	-
Unrealised foreign exchange losses	(3,157)	-
Interest payable	(1,788)	-
Other	(989)	-
	(28,077)	-
Deferred income tax liabilities -		
Property, plant and equipment	403,151	-
Trading securities	16,137	-
Interest receivable	407	-
Tax losses unused	19,460	-
Other	1,408	-
	440,563	-
Net deferred tax liability	412,486	-

The movement in net deferred tax liabilities is as follows:

	The Group							
	Property, plant and equipment $'000	**Fair value gains $'000**	**Unused tax losses $'000**	**Unrealised foreign exchange gains $'000**	**Interest Receivable $'000**	**Interest Payable $'000**	**Other $'000**	**Total $'000**
At 31 December 2017								
On acquisition of Sagicor Real Estate X-Fund	418,121	-	-	-	-	-	-	418,121
(Credited)/charged to income statement	13,603	16,137	6,857	(3,157)	407	(1,788)	11	32,070
Credited to other comprehensive income	-	-	-	-	-	-	2	2
Foreign Exchange	(50,716)	-	12,603	-	-	-	406	(37,707)
At 31 December 2018	381,008	16,137	19,460	(3,157)	407	(1,788)	419	412,486

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

23. Taxation Recoverable

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

24. Other Assets

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Due from sales representatives	972,983	902,293	-	-
Real estate developed for resale -				
Opening balance	823,739	683,244	-	-
Additions during the year	163,604	140,495	-	-
	987,343	823,739	-	-
Premiums due and unpaid	3,440,643	3,554,754	-	-
Due from related parties (Note 25)	1,233,256	537,855	1,504	24,171
Service contract assets (i):				
Due from Government Employees & Other - Administrative Scheme Only Fund and Government Pensioners Administrative Scheme Only Fund	158,586	759,091	-	-
Prepayments	1,537,287	1,232,397	571,774	393,966
Customer settlements accounts/unsettled trades	708,435	1,063,098	-	-
Legal claim (Note 57)	112,643	8,838,088	-	-
Sagicor X Fund – Other receivables (ii)	489,385	-	-	-
Other receivables	1,309,928	1,286,212	45,227	53,272
	10,950,489	18,997,527	618,505	471,409
Provision against doubtful receivables	(250,675)	(253,257)		-
	10,699,814	18,744,270	618,505	471,409

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

(i) Service contract assets are presented separately in 2018 to conform with IFRS 15. The prior period amount is in accordance with under IAS 18.

(ii) Sagicor X Fund - Receivables

	2018
	$'000
Due from clients	181,204
Other	308,181
Other receivables	489,385

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

25. Related Party Balances and Transactions

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

The Group is controlled by Sagicor Financial Corporation, a company incorporated and domiciled in Bermuda, which owns 49.11% (2017 – 49.11%) of the ordinary stock units. PanJam Investment Limited owns 31.55% (2017 – 31.55%) of the ordinary stock units. The remaining 19.34% (2017 – 19.34%) of the stock units is widely held.

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

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

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Due from related companies -				
Ultimate parent company	565,479	408,338		-
Subsidiaries	-	-	1,504	24,171
Parent company	45,836	45,576	-	-
Other related companies	67,767	24,782	-	-
Other managed funds	554,174	59,159	-	-
	1,233,256	537,855	1,504	24,171

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Due to related companies -				
Parent company	597,238	410,205	-	-
Subsidiaries - promissory notes	-	-	13,260,219	13,763,583
Subsidiaries – other liabilities	-	-	3,513,741	3,670,605
Other related companies	16,535	9,190	-	-
Pooled	27,154	2,064	-	-
Other managed funds	440,643	107,938	-	-
	1,081,570	529,397	16,773,960	17,434,188

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

25. Related Party Balances and Transactions (Continued)

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

	The Group		The Company	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Parent company -				
Shared services fees	285,133	235,511	-	-
Party with significant influence over the group -				
Securities sold under agreements to repurchase	(9,155,649)	(12,663,086)	-	-
Customer deposits	(7,294,004)	(9,010,164)	-	-
Customer accounts	-	2,417	-	-
Structured products	(73,508)	(932,734)	-	-
Loans	833,009	622,119	-	-

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

	The Group		The Company	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Sagicor Pooled Investment Funds -				
Lease rental expense	378,433	380,354	-	-
Management fee income	1,157,207	1,021,386	-	-
Administration fee income	571,068	421,269	-	-
Directors and key management personnel -				
Interest expense	7,237	9,432	-	-
Interest income	11,094	5,319	-	-
Other related parties -				
Management fees - subsidiaries	-	-	351,904	383,786
Interest recharged expense - subsidiaries	-	-	52,200	52,200
Interest expense - subsidiaries	-	-	(495,620)	(722,922)
Dividend income - subsidiaries	-	-	6,186,762	6,011,268
Dividend income - associate	-	-	-	66,278
Interest and other income earned	1,933,469	1,413,326	-	-
Key management compensation -				
Salaries and other short term benefits	397,051	469,051	-	-
Share based payments	163,040	523,059	-	-
Contributions to pensions and insurance schemes	27,155	24,420	-	-
	587,246	1,016,530	-	-

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

25. Related Party Balances and Transactions (Continued)

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

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Directors' emoluments -				
Fees	119,147	103,211	34,550	29,663
Other expenses	8,534	10,541	3,265	2,781
Management remuneration (included above)	111,386	315,701	-	-
	239,067	429,453	37,815	32,444
Party with significant influence over the Group -				
Fee income	5,129	4,950	-	-
Rent and net lease	44,721	49,958	-	-
Interest expense paid	(510,195)	(369,307)	-	-
Interest income earned	42,094	47,608	-	-

26. Share Capital

	The Group and The Company	
	2018	**2017**
	$'000	**$'000**
Authorised:		
13,598,340,000 (2017 – 13,598,340,000)		
Ordinary shares		
Issued and fully paid:		
3,905,634,916 ordinary stock units at no par	9,161,065	9,161,065
Treasury shares (Note 28)	(297,763)	(746,014)
	8,863,302	8,415,051

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

27. Equity Reserves

	\----------Attributable to owners of the parent----------\												
		Investment and Fair Value Reserves				Other Reserves							
	Stock Options Reserve	Available-for-sale fair assets	Actuarial Liabilities	Owner occupied properties	Fair value reserves (FVOCI)	Currency Translation Reserve	Capital redemption reserve	Special investment reserve	Loan Loss Reserve	Retained earnings reserve	Equity Owners' Total	Non-controlling interests	Grand Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000		$'000	$'000
Balance at 31 December 2017	**30,967**	**(1,137,035)**	**(46,975)**	**1,587,666**	**-**	**4,589,022**	**1,086,018**	**413,488**	**(596,199)**	**1,595,131**	**7,522,083**	**-**	**7,522,083**
Changes on initial application of IFRS 9 (see note 62)	-	1,137,035	-	-	(1,084,059)	-	-	-	(348,422)	-	(295,446)	-	(295,446)
Balance at 1 January 2018	**30,967**	**-**	**(46,975)**	**1,587,666**	**(1,084,059)**	**4,589,022**	**1,086,018**	**413,488**	**(944,621)**	**1,595,131**	**7,226,637**	**-**	**7,226,637**
Net gains recycled to revenue on disposal and maturity of FVOCI securities	-	-	-	-	(710,315)	-	-	-	-	-	(710,315)	-	(710,315)
Net unrealized gains on FVOCI securities	-	-	-	-	(6,310,630)	-	-	-	-	-	(6,310,630)	-	(6,310,630)
Net unrealized losses on revaluation of owner occupied properties	-	-	-	395,021	-	-	-	-	-	-	395,021	646,293	1,041,314
Net gains recycled on change of accounting from associate to subsidiary	-	-	-	(202,407)	-	(393,778)	-	-	-	-	(596,185)	-	(596,185)
Deferred tax on net gains from change of accounting from associate to subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax on unrealized capital gains and impairment	-	-	-	89,278	1,407,086	-	-	-	-	-	1,496,364	-	1,496,364
Impairment of equities and bonds	-	-	-	-	680,260	-	-	-	-	-	680,260	-	680,260
Shadow accounting	-	-	1,056,028	-	-	-	-	-	-	-	1,056,028	-	1,056,028
Currency translation	-	-	-	-	-	137,929	-	-	-	-	137,929	(1,571,760)	(1,433,831)
Total comprehensive income for the year	**-**	**-**	**1,056,028**	**281,892**	**(4,933,599)**	**(255,849)**	**-**	**-**	**-**	**-**	**(3,851,528)**	**(925,467)**	**(4,776,995)**

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

27. Equity Reserves (Continued)

	\----------Attributable to owners of the parent----------\												
		Investment and Fair Value Reserves				Other Reserves							
	Stock Options Reserve	Available-for-sale assets	Actuarial Liabilities	Owner occupied properties	Fair value reserves (FVOCI)	Currency Translation Reserve	Capital redemption reserve	Special investment reserve	Loan Loss Reserve	Retained earnings reserve	Equity owners' Total	Non-controlling interests	Grand Total
	$'000	$'000	$'000	$'000		$'000	$'000	$'000	$'000	$'000		$'000	$'000
Total comprehensive income for the year	**-**	**-**	**1,056,028**	**281,892**	**(4,933,599)**	**(255,849)**	**-**	**-**	**-**	**-**	**(3,851,528)**	**(925,467)**	**(4,776,995)**
Transactions with owners -													
Employee share option scheme													
- value of services provided	21,097	-	-	-	-	-	-	-	-	-	21,097	-	21,097
- employee stock grants and options exercised / expired	(27,980)	-	-	-	-	-	-	-	-	-	(27,980)	-	(27,980)
Total transactions with owners	(6,883)	-	-	-	-	-	-	-	-	-	(6,883)	-	(6,883)
Transfers between reserves -													
To special investment reserve	-	-	-	-	-	-	-	21,000	-	-	21,000	-	21,000
To retained earnings	-	-	-	(725,621)	(200,600)	-	-	-	-	-	(926,221)	-	(926,221)
Transfer to capital redemption reserves	-	-	-	-	-	-	620,854	-	-	-	620,854	-	620,854
Transfer to loan loss reserve	-	-	-	-	-	-	-	-	65,740	-	-	-	65,740
Transfer to retained earnings reserves	-	-	-	-	-	-	-	-	-	1,137,174	1,137,174	-	1,137,174
Total transfers between reserves	-	-	-	(725,621)	(200,600)	-	620,854	21,000	65,740	1,137,174	918,547	-	918,547
Balance at 31 December 2018	**24,084**	**-**	**1,009,053**	**1,143,937**	**(6,218,258)**	**4,333,173**	**1,706,872**	**434,488**	**(878,881)**	**2,732,305**	**4,286,773**	**(925,467)**	**3,361,306**

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

27. Equity Reserves (Continued)

	\----------Attributable to owners of the parent----------\									
	Investment and Fair Value Reserves				Other Reserves					
	Stock Options Reserve	Available-for-sale fair assets	Actuarial Liabilities	Owner occupied properties	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	$'000
Balance at 1 January 2017	**49,804**	**(3,598,900)**	**(704,538)**	**1,400,877**	**5,025,749**	**1,086,018**	**398,488**	**(1,048,645)**	**1,595,131**	**4,203,984**
Net gains recycled to revenue on disposal and maturity of available-for-sale securities	-	(1,188,069)	-	-	-	-	-	-	-	(1,188,069)
Net unrealized gains on available-for-sale securities	-	4,262,012	-	-	-	-	-	-	-	4,262,012
Net unrealized losses on revaluation of owner occupied properties	-	-	-	218,491	-	-	-	-	-	218,491
Deferred tax on unrealized capital gains	-	(913,418)	-	(31,702)	-	-	-	-	-	(945,120)
Impairment of equities and bonds	-	326,340	-	-	-	-	-	-	-	326,340
Shadow accounting	-	-	657,563	-	-	-	-	-	-	657,563
Currency translation	-	-	-	-	(436,727)	-	-	-	-	(436,727)
Total comprehensive income for the year	**-**	**2,486,865**	**657,563**	**186,789**	**(436,727)**	**-**	**-**	**-**	**-**	**2,894,490**

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

27. Equity Reserves (Continued)

	Attributable to owners of the parent									
		Investment and Fair Value Reserves			Other Reserves					
	Stock Options Reserve	Available-for-sale assets	Actuarial Liabilities	Owner occupied properties	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	$'000
Total comprehensive income for the year	**-**	**2,486,865**	**657,563**	**186,789**	**(436,727)**	**-**	**-**	**-**	**-**	**2,894,490**
Transactions with owners -										
Employee share option scheme										
- value of services provided	37,090	-	-	-	-	-	-	-	-	37,090
- employee stock grants and options exercised / expired	(55,927)	-	-	-	-	-	-	-	-	(55,927)
Total transactions with owners	(18,837)	-	-	-	-	-	-	-	-	(18,837)
Transfers between reserves -										
To special investment reserve	-	-	-	-	-	-	15,000	-	-	15,000
To retained earnings	-	(25,000)	-	-	-	-	-	-	-	(25,000)
Adjustment between regulatory loan provisioning and IFRS	-	-	-	-	-	-	-	452,446	-	452,446
Total transfers between reserves	-	(25,000)	-	-	-	-	15,000	452,446	-	442,446
Balance at 31 December 2017	**30,967**	**(1,137,035)**	**(46,975)**	**1,587,666**	**4,589,022**	**1,086,018**	**413,488**	**(596,199)**	**1,595,131**	**7,522,083**

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

28. Stock Options and Grants

Long-term Incentive plan

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

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

Details of the combined share options outstanding are as follows:

	Sagicor Group Jamaica Limited			
	2018		2017	
	Options (thousands)	Weighted Average exercise price in $ per share	Options (thousands)	Weighted Average exercise price in $ per share
At beginning of year	21,881	10.61	44,964	8.83
Measurement year – 2016 awarded 2017	-	-	4,561	23.65
Measurement year – 2017 awarded 2018	2,713	34.10	-	-
Expired	(1,659)	15.75	(2,772)	11.41
Exercised	(8,321)	9.55	(24,872)	9.66
At end of year	14,614	15.00	21,881	10.61
Exercisable at the end of the period	9,672	12.59	13,820	9.72

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

	2018		2017	
Expiry Date	Exercise Price	No. of Outstanding Options 000's	Exercise Price	No. of Outstanding Options 000's
March 2018	-	-	10.96	273
March 2018	-	-	6.51	1,597
March 2019	14.10	226	14.10	226
March 2019	7.52	186	7.52	427
March 2020	10.75	619	10.75	1,875
March 2021	7.11	1,475	7.11	3,581
March 2022	9.50	2,519	9.50	4,099
March 2023	10.49	4,820	10.49	6,727
March 2024	23.65	2,323	23.65	3,076
March 2025	34.10	2,446	-	-
	16.05	14,614	11.31	21,881

28. Stock Options and Grants (Continued)

For options outstanding at the end of the year, exercise prices range from $7.11 to $34.10 (2017 - $6.51 to $23.65). The remaining contractual terms range from 3 months to 7 years (2017 – 3 months to 7 years).

The weighted average share price for options exercised during the year was $35.10 (2017 - $29.17) and the Group's share of the cost of these options was $1,755,000 (2017 - $10,103,000).

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 $29,759,000. The significant inputs into the model were share price of $36.45, dividend yield of 3.40%, standard deviation of the expected share price returns of 25%, and annual risk free interest rate of 6.49%. The expected volatility is based on statistical analysis of month end share prices over the preceding seven years.

The Group recognised cumulative expenses of $24,080,000 in the Stock Option Reserves (2017 – $30,963,000) and share options expense of $20,410,000 (2017 - $42,911,000) in the income statement.

In 2018, the Sagicor Group Jamaica Board HR & Compensation Committee approved the amendment to the Sagicor Group Jamaica LTI Plan rules to state that only Excom members upon retirement will benefit from full and automatic vesting of options and grants already awarded but not exercised in accordance with their contractual arrangements with SFC.

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 2018, the Staff Share Purchase Plan Trust purchased NIL shares. The Group recognize expense in respect of Staff Share Purchase Plan shares at the point at which the shares are transferred to staff, when the Subsidiary Companies recognize their share of the cost of those shares in the income statement.

The company has not been issuing new shares to fulfill its obligations under these plans but instead the Long Term Incentive and the Staff Share Purchase Plan Trust bought SGJ's shares on the open market. The total number of treasury shares held by the Group at year end was 8,132,273 (2017 – 21,309,010) at a cost of $297,763,000 (2017 - $746,014,000).

29. Investment and Fair Value Reserve

This represents the unrealised surplus or deficit on the re-measurement of securities classified as FVOCI and the revaluation of property, plant and equipment. An analysis of the investment and fair value reserves is as follows:

	The Group		The Company	
	2018 $000	2017 $000	2018 $000	2017 $000
Unrealised gains on owner-occupied properties of joint ventures and associates	-	823,796	-	-
Unrealised gains on owner-occupied properties of group entities	1,143,937	763,870	-	-
	1,143,937	1,587,666		-
Unrealised gains on FVOCI (available-for-sale) securities	(4,394,490)	(1,137,035)	3,737	(135,717)
Actuarial liabilities	1,009,053	(46,975)	-	-
	(2,241,500)	403,656	3,737	(135,717)

30. Currency Translation Reserve

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

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

31. Other Reserves

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

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

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

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.

(d) The provision of section 62 (1) (d) of The Companies Act 2004, require the transfer from retained earnings to the capital redemption reserve fund a sum equal to the amount of the redeemable preference shares redeemed otherwise than out of the proceed of a fresh issue.

32. Dividends Declared

	The Group	
	2018	**2017**
	$'000	**$'000**
First interim dividend – 66 cents per share (2017 – 70 cents per share)	2,577,719	2,733,944
Second interim dividend – 54 cents per share (2017 – 58 cents per share)	2,109,046	2,265,268
	4,686,765	4,999,212

The dividends paid for 2018 and 2017 represented a dividend per stock unit of $1.20 and $1.28 respectively.

33. Net Profit and Retained Earnings

	2018	**2017**
	$'000	**$'000**
(i) Net profit dealt with in the financial statements of:		
The company	5,116,578	5,081,421
Less dividends from subsidiaries	(6,186,762)	(6,011,268)
The subsidiaries, associate and joint venture	15,302,166	12,999,670
	14,231,982	12,069,823
(ii) Retained earnings reflected in the financial statements of:		
The company	21,478,765	21,054,200
The subsidiaries	39,732,168	31,510,797
	61,210,933	52,564,997

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

34. Deposit and Security Liabilities

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Securities sold under repurchase agreements	53,988,378	59,322,292	-	-
Due to banks and other financial institutions (i)	11,347,332	16,633,429	-	-
Customer deposits and other accounts	89,945,425	81,285,114	-	-
Structured products (ii)	8,236,391	5,926,746	-	-
Promissory notes (iii)	-	-	13,260,219	13,763,582
Redeemable preference shares (iv)	1,415,974	2,054,231	-	-
	164,933,500	165,221,812	13,260,219	13,763,582

	Interest Rate (%)	**Maturity Period**	**2018 $'000**	**2017 $'000**
(I) Due to banks and other financial institutions:				
Development Bank of Jamaica Limited	various	various	1,945,124	2,427,056
National Housing Trust (NHT)	various	various	1,317,659	1,137,879
Credit Suisse NY	various	2019	-	5,000,329
Citibank N.A.	2.70-2.71	2019	1,268,754	-
Credit Suisse NY	various	2019	5,109,188	-
Jefferies LLC	3.0	2019	317,690	1,244,335
Morgan Stanley Smith Barney	3.0	2019	1,387,854	6,525,769
Bank overdraft:				
National Commercial Bank Jamaica Limited	21.25	2019	1,063	298,061
			11,347,332	16,633,429

(a) Development Bank of Jamaica Limited (DBJ)

The agreement allows DBJ, at its absolute discretion, to approve J$ financing to Sagicor Bank Jamaica Limited (SBJ) 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 SBJ bears 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) National Housing Trust (NHT)

This is a third-party financing agreement between Sagicor Life Jamaica Limited, Sagicor Bank Jamaica Limited and the National Housing Trust and attracts interest at rates ranging from 0.759% to 7%.

(c) Bank Overdrafts

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

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

34. Deposit and Security Liabilities (Continued)

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

(d) *Credit Suisse NY*

This represents loan facilities received from Credit Suisse NY in the amounts of US$40,000,000 by Sagicor Life Jamaica Limited. The loan attached interest of 2.0% plus 6 months USD Libor-BBA. In addition, the loan facility matures on May 2, 2019 and is secured by Government of Jamaica Global bonds totalling US$23,094,080; a Petroleum Company of Trinidad and Tobago bond totalling US$212,889; International Corporate bonds totalling US$31,538,926; a Peru Corporate bond totalling US$519,515 and Cash totalling US$3,015,307. This loan is repayable in one instalment on 2 May 2019.

(e) *Jefferies LLC*

This represents amounts due to the broker for securities purchased by Sagicor Investments Jamaica Limited (SIJL) under margin loan facilities. The facilities with SIJL attract interest rate of 3.0%. These loans are repayable on demand and secured by a Gilead Sciences Inc. Bond totalling US$2,940,480.

(f) *Morgan Stanley Smith Barney*

This represents amounts due to the broker for securities purchased by Sagicor Investments Jamaica Limited (SIJL) under margin loan facilities. The facilities are payable on demand and attract interest rates of 3%. This facilities with SIJL are secured by International Corporate bonds totalling US$14,709,970.

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

(ii) Structured products

	2018	2017
	$'000	$'000
Principal protected notes -		
With no interest guaranteed		-
With interest guaranteed	8,236,391	5,926,746
	8,236,391	5,926,746

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 17. 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 for notes with no interest guarantee and principal invested plus interest for notes with an interest guarantee. The maturity of these notes ranges from 2019 to 2019.

(iii) Promissory notes

	The Company	
	2018	2017
	$'000	$'000
Sagicor Life Jamaica Limited	11,356,812	11,916,767
Sagicor Bank Jamaica Limited	-	642,460
Sagicor Securities Jamaica Limited	655,192	-
Sagicor Investment Jamaica Limited	1,248,215	1,204,355
	13,260,219	13,763,582

The above represent promissory notes that have been issued by the company with respect to the corporate reorganization of the Group.

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

34. Deposit and Security Liabilities (Continued)

(iii) Promissory notes (continued)

(i) The promissory notes have been issued to one of the Group's subsidiaries, Sagicor Life Jamaica Limited, for consideration for the value of Sagicor Investment Jamaica Limited, Sagicor Life of the Cayman Island, Sagicor Re Insurance Limited and other small subsidiaries whose ownership has been transferred from the previous parent company, Sagicor Life Jamaica Limited to the holding company, Sagicor Group Jamaica Limited. The promissory notes are unsecured and attract interest at 3% per annum and mature May 2019 and June 2020.

(ii) The promissory note was issued to Sagicor Bank Jamaica Limited as consideration for the value of Sagicor Securities Jamaica Limited whose ownership has been transferred from Sagicor Bank Jamaica Limited to Sagicor Group Jamaica Limited. This was repaid in March 2018 with proceeds from loan totaling $650 million issued by Sagicor Securities Jamaica Limited. The promissory note issued to Sagicor Securities Jamaica Limited is unsecured and attract interest at 1% per annum and mature March 2019.

(iii) The promissory note was issued to Sagicor Investment Jamaica Limited for the consideration for the value of Sagicor Bank Jamaica Limited whose ownership has been transferred from Sagicor Investment Jamaica Limited to Sagicor Group Jamaica Limited. The promissory notes are unsecured and attract interest at 3% per annum and mature May 2019.

(iv) Redeemable Preference Shares

In March 2017, one of the Group's subsidiaries issued redeemable preference shares in two tranches. Tranche A, which was issued for eighteen months attracts interest at 7.75% was settled on maturity during September 2018. Tranche B, which was issued for thirty-six months attracts interest at 8.25% will mature during March 2020.

35. Loans Payable

	The Group		The Company	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
(a) Mortgage Notes – X Fund Property LLC:				
2025 at 4.9%	5,927,711	-	-	-
(b) Mortgage Notes – Sagicor X Fund Real Estate Limited:				
(i) Tranche B – 2019 at 3.75%	190,590	-	-	-
(ii) Tranche C – 2021 at 4.75%	261,751	-	-	-
	452,341	-	-	-
(c) Fixed Rate Mortgage Notes – X Fund Property Limited				
(i) Tranche B – 2055 at 5%	540,777	-	-	-
(ii) Tranche B – 2048 at 9% (issued October 29, 2018)	475,813	-	-	-
(iii) Tranche D – 2020 at 8.75%	1,353,477	-	-	-
(iv) Tranche E – 2056 at 11%	1,053,586	-	-	-
	3,423,653	-	-	-
(d) Key Money – X Fund Property Limited	166,397			
Total long term borrowings	**9,970,102**	**-**	**-**	**-**
Total current portion of borrowing	**193,654**	**-**	**-**	**-**

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

35. Loans Payable (Continued)

(a) Mortgage Note - US Dollars

The mortgage note of US$48,736,586 is recorded at fair value at acquition and is secured by the investment in hotel property. Interest on the mortgage note are paid monthly through maturity upon which the outstanding principal is due and payable. The Subsidiary may prepay the mortgage note prior to the maturity date only in conjunction with the sale of a property or as a result of casualty or condemnation. The note is payable on October 6, 2025 and attract a fixed rate interest of 4.9%.

The mortgage note contains a debt service coverage ratio test and, upon failing to meet the debt service coverage ratio, substantially all the cash flows from the hotel must be directed to accounts controlled by the lender. As at December 31, 2018, the Subsidiary was in compliance with the debt service coverage ratio.

(b) (i) *Mortgage Note Tranche B – US Dollars*

The 3.75% US dollar note is structured securities whereby the interest is payable quarterly. The loan which will mature May 16, 2019 is secured by a debenture over units in the Sigma Real Estate Portfolio.

(ii) *Mortgage Note Tranche C – US Dollars*

The 4.75% US dollar note pays interest quarterly. The loan which will mature May 16, 2021 is secured by a debenture over units in the Sigma Real Estate Portfolio and any bonus units issued upon or in respect thereof.

(c) Mortgage Notes

This Note was issued under four tranches with fixed coupon ranging from 5% to 11% and tenure of 2 to 40 years. The loan is secured by equitable mortgage over the Hilton Rose Hall Resort and Spa, debenture, change over securities and debt service reverse agreement.

(d) Key Money

This note is interest free with annual forgiveness of debt over ten years, if contain conditions are met.

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

36. Other Liabilities

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Legal claim payable (Note 58)	122,643	8,838,088	-	-
Premiums not applied	2,809,270	2,093,034	-	-
Accounts payable and accruals	2,566,952	1,709,718	556,420	108,715
Accrued vacation	195,502	256,575	-	-
Dividends payable	179,981	125,796	105,210	50,795
Due to related parties (Note 25)	1,081,570	529,397	3,513,741	3,670,605
Due to brokers and agents	899,524	531,665	-	-
Bonus payable	462,275	459,680	-	-
Reinsurance payable	279,287	207,558	-	-
Mortgage principal and real estate payables	332,820	639,024	-	-
Customer settlement accounts	3,045,025	1,690,068	-	-
Regulatory fees and Statutory payables	403,449	516,425	-	-
Items in course of payment	562,204	405,834	-	-
Cheques issued but uncashed	137,855	490,725	-	-
Unearned reinsurance commissions	12,313	9,983	-	-
Service contract payable:				
Due from Government Employees Administrative Scheme Only Fund and Government Pensioners Administrative Scheme Only Fund	159,794	-	-	-
Sagicor X Fund – liabilities (i)	546,766	-	-	-
Miscellaneous	712,894	356,325	5,676	4,851
	14,510,124	18,859,895	4,181,047	3,834,966

(i) Sagicor X Fund liabilities

	2018
	$'000
Accounts payable and accruals	336,086
Regulatory fees and Statutory payables	47,630
Fees paid in advance	51,869
Other	111,181
	546,766

37. Insurance Contract Liabilities

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

	The Group	
	2018	**2017**
	$'000	**$'000**
Group annuities	45,870,027	44,392,609
Group insurance	4,059,258	4,952,099
Individual insurance	30,032,747	28,573,805
Total	79,962,032	77,918,513

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

37. Insurance Contract Liabilities (Continued)

(b) Movements in insurance liabilities:

	The Group			
	2018			
	Group Annuities	Individual Insurance	Group Insurance	Total
	$'000	$'000	$'000	$'000
Balance at the beginning of the year	44,392,609	28,573,805	4,952,099	77,918,513
Normal changes in policyholders' liabilities recorded to income statement (Note 36(d))	1,597,045	1,593,938	(938,512)	2,252,471
Changes in actuarial liabilities recorded in Other Comprehensive Income	(641,721)	(414,306)	-	(1,056,027)
Changes as a result of revaluation	522,094	279,310	45,671	847,075
Balance at end of year	45,870,027	30,032,747	4,059,258	79,962,032

	The Group			
	2017			
	Group Annuities	Individual Insurance	Group Insurance	Total
	$'000	$'000	$'000	$'000
Balance at the beginning of the year	39,225,538	24,564,091	4,919,710	68,709,339
Normal changes in policyholders' liabilities recorded to income statement (Note 36(d))	6,328,723	4,252,750	93,595	10,675,068
Changes in actuarial liabilities recorded in Other Comprehensive Income	(475,622)	(181,942)	-	(657,564)
Changes as a result of revaluation	(686,030)	(61,094)	(61,206)	(808,330)
Balance at end of year	44,392,609	28,573,805	4,952,099	77,918,513

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

37. Insurance Contract Liabilities (Continued)

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

	The Group 2018				
	Insurance	Pensions and Annuities	Other Liabilities	Capital and Surplus	Total
	$'000	$'000	$'000	$'000	$'000
Quoted equities	20,463,826	-	-	6,533,396	26,997,222
Investment properties	-	-	-	2,552,460	2,552,460
Fixed income securities	35,689,247	53,882,390	143,995,782	34,967,863	268,535,282
Mortgages	-	618,557	-	2,487,784	3,106,341
Other assets	3,951,868	-	74,320,151	14,669,429	92,941,448
	60,104,941	54,500,947	218,315,933	61,210,932	394,132,753

	The Group 2017				
	Insurance	Pensions and Annuities	Other Liabilities	Capital and Surplus	Total
	$'000	$'000	$'000	$'000	$'000
Quoted equities	24,813,497	-	-	9,689,799	34,503,296
Investment properties	-	-	-	530,000	530,000
Fixed income securities	28,874,718	53,668,422	140,722,568	24,633,094	247,898,802
Mortgages	-	618,557	-	2,405,112	3,023,669
Other assets	3,769,665	-	31,066,968	31,244,120	66,080,753
	57,457,880	54,286,979	171,789,536	68,502,125	352,036,520

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

37. Insurance Contract Liabilities (Continued)

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

	The Group 2018			
	Group Annuities $'000	**Individual Insurance $'000**	**Group Insurance $'000**	**Total $'000**
Change in assumed investment yields and inflation rate	255,711	(291,752)	(22,287)	(58,328)
Change due to the issuance of new policies and the decrements on in-force policies	1,495,300	5,329,833	(541,881)	6,283,252
Change in actuarial liabilities recorded in Other Comprehensive Income	(641,721)	(414,306)	-	(1,056,027)
Change due to other actuarial assumptions	487,755	(3,029,837)	(374,344)	(2,916,426)
	1,597,045	1,593,938	(938,512)	2,252,471

	The Group 2017			
Change in assumed investment yields and inflation rate	(1,058,151)	(166,442)	(100,294)	(1,324,887)
Change due to the issuance of new policies and the decrements on in-force policies	6,977,163	6,521,711	173,121	13,671,995
Change in actuarial liabilities recorded in Other Comprehensive Income	(475,622)	(181,942)	-	(657,564)
Change due to other actuarial assumptions	885,333	(1,920,577)	20,768	(1,014,476)
	6,328,723	4,252,750	93,595	10,675,068

37. 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 97-04 male and female aggregate mortality tables which are 21 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 and asset default. Assumptions taking into account inflation are that real returns after 30 years will be between 2.0% and 3.6%.

(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 4% and 24% 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 12.4% of fund values available from policies in force.

37. Insurance Contracts Liabilities (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 2.0% and 3.6%.

(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 or between 2% and 8% of annuitant mortality 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.

(vi) 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.

38. Investment Contract Liabilities

	The Group	
	2018	**2017**
	$'000	**$'000**
Amortised cost -		
Amounts on deposit	11,345,753	10,345,085
Deposit administration fund	1,521,103	2,981,844
Other investment contracts	541,486	450,181
	13,408,342	13,777,110

The maturity value of these financial liabilities is determined by the fair value of the linked assets, at maturity date. There will be no difference between the carrying amount and the maturity amount at the maturity date.

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

Amounts on deposit comprise of Guaranteed Investor liabilities amounting to $8,447,749 (2017 - $7,673,231) and other policyholders' savings plans of $2,898,003 (2017 - $2,671,854).

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

38. Investment Contract Liabilities (Continued)

Movement of the Deposit Administration Funds:

	The Group	
	2018	**2017**
	$'000	**$'000**
Balance at the beginning of the year	2,981,844	3,094,351
Deposits received	102,487	200,483
Interest earned	99,632	153,019
Service charges	(24,485)	(24,551)
Withdrawals	(1,638,717)	(440,985)
Revaluation adjustment	342	(473)
Balance at the end of the year	1,521,103	2,981,844

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 139 (2017 - 144) clients in the company. The average interest rate paid by the company during the year was 5.35% (2017 – 5.85%).

39. Other Policy Liabilities

	The Group	
	2018	**2017**
	$'000	**$'000**
Insurance benefits	3,233,869	2,863,517
Provision for unearned premiums	186,434	130,177
Policy dividends and other funds on deposit	832,371	803,732
	4,252,674	3,797,426

40. Investment Contracts Benefits

Benefits from unit linked investment contracts without fixed terms for the Group amounting to $6,809,423 (2017 - $5,885,801) 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.

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

41. Premium Income

(a) Gross premiums by line of business:

	The Group	
	2018	**2017**
	$'000	**$'000**
Group insurance -		
Group creditor life	759,917	723,024
Group health	11,174,379	9,375,501
Group life	2,159,631	2,032,213
	14,093,927	12,130,738
Individual insurance -		
Individual life -		
Insurance premium	14,479,903	13,413,224
Segregated funds contributions	9,027,908	7,252,647
Individual health	559,490	564,122
Individual annuities	222,733	103,341
	24,290,034	21,333,334
Group annuities	2,188,840	8,114,589
Property and casualty	484,621	394,686
	41,057,422	41,973,347

(b) Reinsurance premiums by line of business:

	The Group	
	2018	**2017**
	$'000	**$'000**
Group insurance -		
Group health	321,427	255,173
Group life	58,328	56,835
	379,755	312,008
Individual life	385,216	258,922
Property and casualty	477,667	403,882
	1,242,638	974,812
Net premiums	39,814,784	40,998,535

(c) Net premiums by geography:

	The Group	
	2018	**2017**
	$'000	**$'000**
Jamaica	37,202,688	38,544,689
Cayman Islands	2,612,096	2,453,846
	39,814,784	40,998,535

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

42. Net Investment Income

	The Group		
	2018	**2018**	**2018**
Income from financial investments measured on an IFRS 9 basis	**Amortized cost assets**	**FVOCI assets**	**Total**
	$'000	**$'000**	**$'000**
Interest income -			
Debt securities	5,433,769	6,422,641	11,856,410
Mortgage loans	262,658	-	262,658
Policy loans	90,311	-	90,311
Finance loans and finance leases	7,431,625	-	7,431,625
Securities purchased for re-sale	109,569	-	109,569
Deposits	283,663	-	283,663
	13,611,416	6,422,641	20,034,057
Interest income from FVPL investments			414,881
Dividend income			83,108
Net investment gains			2,468,068
			2,966,057
Net gain on derecognition of financial assets measured at amortized cost			1,321,396
			24,321,510
Interest expense -			
Customer deposits, repurchase liabilities and investment contracts			(3,995,742)
Allowances for impairment losses (IAS 39)			-
Due banks and other financial institutions			(219,882)
Other operating expenses			(121,096)
Other Direct investment expenses			(441,278)
			(4,777,998)
Credit impairment losses			(1,296,820)
Net investment income			18,246,692

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

42. Net Investment Income (Continued)

	The Company		
	2018	**2018**	**2018**
Income from financial investments measured on an IFRS 9 basis	**Amortized cost assets**	**FVOCI assets**	**Total**
	$'000	**$'000**	**$'000**
Interest income -			
Debt securities	1,669	27,601	29,270
Securities purchased for re-sale	2,920	-	2,920
Deposits	17,399	-	17,399
Total interest income	21,988	27,601	49,589
			-
Dividend income			6,186,762
Net investment losses			(151,565)
			6,084,786
Interest expense -			
Promissory notes			(495,620)
			(495,620)
Net investment income			5,589,166

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

42. Net Investment Income (Continued)

Income from financial investments measured on an IAS 39 basis	The Group	The Company
	2017	2017
	$'000	$'000
Interest income -		
Short term deposits	206,071	19,721
Financial assets at fair value through profit or loss	436,631	-
Available-for-sale	7,212,211	40,308
Loans and receivables	5,057,622	30,270
Held to maturity	219,747	-
Loans	7,106,002	-
Policy loans	80,997	-
Government securities purchased under resale agreements	69,342	1,396
Other	18,076	-
Dividends	173,296	6,077,546
Realized gains	3,029,020	33,036
Unrealized gains	3,058,954	-
Net gains on investment properties	42,000	-
Other investment losses	(8,979)	-
	26,700,990	6,202,277
Interest expense -		
Customer deposits and repurchase liabilities	(3,549,692)	-
Due to banks and other financial institutions	(403,129)	-
Investment contracts	(655,764)	-
Promissory notes	-	(722,921)
Other	(336,950)	-
	(4,945,535)	(722,921)
Credit impairment losses	(1,037,752)	-
Net investment income	20,717,703	5,479,356

43. Hotel Revenue

	2018	2017
	$'000	$'000
Rooms	913,018	-
Food and beverage	254,092	-
Other departments	70,666	-
Other	9,439	-
	1,247,215	-

Relates X Fund Properities LLC, operators of Double Tree Orlando, also refer to Note 47.

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

44. Fees and Other Income

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Service contract revenue (i)				
Administration fees	4,345,681	3,468,810	-	-
Bank service fees	2,332,257	1,811,837	-	-
Property management and related fees	366,477	366,246	-	-
Credit related fees	2,410,400	1,974,759	-	-
Trust fees	83,391	88,352	-	-
Surrender charges	281,684	244,543	-	-
Stockbrokerage fees	125,187	170,218	-	-
Treasury fees	3,617	4,636	-	-
Corporate finance fees	795,807	335,451	-	-
Foreign exchange gains/(losses)	(178,001)	(623,039)	12,296	(22,868)
Reinsurance Commission	34,551	33,808	-	-
Other Interest Income	38,752	43,476	-	-
Miscellaneous fees & other income (ii)	708,299	97,062	326,744	384,362
	11,348,102	8,016,159	339,040	361,494

(i) Service contract revenue presented separately in 2018 to conform with IFRS15. The prior period amount is in accordance with under IAS 18.

(ii) Includes net gain from sale of an owner-occupied property of $573,000,000.

45. Insurance Benefits and Claims

	The Group			
	2018			2017
	Gross incurred	**Reinsured**	**Net**	**Net Claims**
	$'000	**$'000**	**$'000**	**$'000**
Death and disability	3,911,828	(211,845)	3,699,983	2,972,140
Maturities	74,745	-	74,745	99,059
Surrenders and withdrawals	816,888	-	816,888	843,869
Segregated funds withdrawals	6,809,423	-	6,809,423	5,885,801
Annuities payments	4,472,812	-	4,472,812	3,829,706
Policy dividends and bonuses	106,963	-	106,963	62,064
Health insurance	9,105,623	(424,013)	8,681,610	7,400,054
Other benefits	812,125	-	812,125	816,251
	26,110,407	(635,858)	25,474,549	21,908,944

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

46. Administration Expenses

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Auditors' remuneration - Current year	125,610	104,713	10,000	8,893
Prior year	1,115	8,000	-	4,451
Office accommodation	1,233,115	1,190,282	2,245	593
Communication and technology	2,003,483	1,670,740	70,065	169,600
Advertising and branding	670,670	597,419	100,992	99,048
Sales convention and incentives	295,533	268,210	-	-
Postage, printing and office supplies	353,167	331,425	240	102
Policy stamp duties and reimbursements	87,441	66,929	-	-
Regulators fees	271,493	249,699	9,106	7,985
Directors costs	127,928	113,753	37,815	32,444
Legal and professional fees	416,462	343,306	131,313	13,498
Services outsourced	800,532	762,629	945	2,147
Electronic channels charges	1,087,326	783,775	-	-
Commission and fees	42,722	29,761	-	-
Insurance	193,472	176,839	674	1,778
Travel and entertainment	165,066	183,090	8,046	6,256
Bank charges and cash transport	269,245	263,567	1,588	1,139
Other expenses	586,507	408,411	19,421	65,062
Staff costs (a)	8,816,607	9,060,176	66,600	-
Sagicor X Fund costs (b)	38,912	-	-	-
	17,586,406	16,612,724	459,050	412,996

(a) Staff costs

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Salaries	6,126,609	5,737,428	-	-
Payroll taxes	695,551	652,900	-	-
Pension costs (Note 21)	447,780	751,050	-	-
Other post-retirement benefits (Note 21)	456,457	535,255	-	-
Share based compensation	178,861	696,556	-	-
Restructuring costs	179,990	65,617	-	-
Other	731,359	621,370	66,601	-
	8,816,607	9,060,176	66,601	-

(b) Sagicor X Fund costs

	The Group	
	2018	**2017**
	$'000	**$'000**
Auditors' remuneration	8,540	-
Bank charges	427	-
Professional fees	302	-
Directors costs	9,840	-
Write-off of bad debt	15,457	-
Other expenses	4,346	-
	38,912	-

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

47. Hotel Expenses

	The Group	
	2018	**2017**
	$'000	**$'000**
Rooms	89,568	-
Food and beverage	81,286,	-
Property operations	146,563	-
Franchise expense	49,342	-
Sales and marketing	69,719	-
Other operated departments	100,083	-
Staff costs (a)	356,070	-
	892,631	-

Relates to Double Tree Orlando, also refer to Note 43.

(a) Staff costs

	The Group	
	2018	**2017**
	$'000	**$'000**
Salaries and benefits	282,268	-
Payroll taxes	73,802	-
	356,070	-

48. Commission and Sales Expense

Amount represents commission and bonuses paid to sales representatives in the Life companies.

49. Taxation

(a) Tax is computed as follows:

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Current year taxation -				
Dividend income tax @ 15%	3,286	6,081	-	-
Income tax at 33 ⅓%	1,396,935	983,601	-	-
Income tax at 25%	2,554,709	1,753,203	60	(18,049)
	3,954,930	2,742,885	60	(18,049)
Deferred income tax (Note 22) -				
Deferred tax charge/(credit) relating to the origination and reversal of temporary differences	215,577	180,897	(74,011)	8,517
Taxation	4,170,507	2,923,782	(73,951)	(9,532)

(b) Other taxes:

Asset tax @ 0.25%	633,263	611,229	200	200
Withholding tax	4,784	7,763	-	-
Other taxes	638,047	618,992	200	200

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

49. Taxation (Continued)

(b) Other taxes: (continued):

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

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

3. Asset taxes

   (a) Life Insurance Companies
   Life Insurance Companies are subjected to asset tax at a rate of 0.25% (2017 - 0.25%) of total assets less required capital specified by the Financial Services Commission and withholding tax receivables owed by the Commissioner General of Tax Administration Jamaica.

   (b) Bank of Jamaica Regulated Companies
   Commercial Banks, Building Society and other deposit taking institutions are subjected to tax of 0.25% (2017 – 0.25%) of total assets less loan loss reserves, withholding tax receivables owed by the Commissioner General of Tax Administration Jamaica and Regulated Capital required by the Bank of Jamaica.

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

4. 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 $2,736,987,000 (2017 – $4,464,031,000) and the Company Nil (2017 - Nil) respectively.

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

	The Group		The Company	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Investment income tax - Dividend income	21,904	40,540	-	-
Tax at 15%	3,286	6,081	-	-
Income tax - Profit before taxation	18,048,325	14,993,605	5,042,627	5,071,889
Tax at 25% and 33⅓%	4,727,392	4,180,128	1,260,657	1,267,973
Adjusted for:				
Income not subject to income tax (i)	(2,697,220)	(3,990,920)	(1,546,690)	(1,519,387)
Asset tax not deductible for tax purposes	195,901	189,481	50	50
Expenses not deductible for tax purposes (ii)	1,961,355	2,873,631	163,467	227,016
Subsidiaries taxed at zero rate	(119,774)	(123,422)	-	-
Prior year (over)/under provision	(3,386)	(63,242)	-	(18,049)
Net effect of other charges and allowances	(299,055)	(147,955)	48,565	32,865
	4,167,221	2,917,701	(73,951)	(9,532)
Taxation expense	4,170,507	2,923,782	(73,951)	(9,532)

(i) This includes income from Annuities, earnings from associated company and joint venture.
(ii) This include expenses relating to annuities and interest charges of SGJ.

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

49. Taxation (Continued)

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

	The Group					
	2018			2017		
	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	-	-	-	4,262,012	(913,418)	3,348,594
Fair value (losses)/gains on OCI	(6,319,936)	1,651,414	(4,668,522)	-	-	-
Provision for expected credit losses -IFRS 9 on FVOCI securities	680,262	(244,329)	435,933	-	-	-
Shadow accounting reserve	1,056,028	-	1,056,028	657,563	-	657,563
Re-measurement of post-employment benefits	537,241	(179,171)	358,070	3,929,106	(1,079,226)	2,849,880
Unrealised gains/(losses) on owner-occupied properties:						
Sagicor Group excluding Associated Entity	1,056,439	(15,125)	1,041,314	126,864	(14,100)	112,764
Retranslation of foreign operations	(1,433,832)	-	(1,433,832)	436,727	-	436,727
Other comprehensive income	(4,423,798)	1,212,789	(3,211,009)	9,412,272	(2,006,744)	7,405,528
Deferred income taxes (Note 22)		1,212,789			(2,006,744)	
Unrealised gains/(losses) on owner-occupied properties:						
Associated Entity	-	-	-	91,627	(17,602)	74,025
	(4,423,798)	1,212,789	(3,211,009)	9,503,899	(2,024,346)	7,479,553

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

50. Earnings per Stock Unit

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

	The Group	
	2018	**2017**
Net profit attributable to stockholders ($'000)	14,231,982	12,069,823
Weighted average number of ordinary stock units in issue ('000)	3,897,503	3,884,326
Basic earnings per stock unit ($)	3.65	3.11

(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	
	2018	**2017**
Net profit attributable to stockholders ($'000)	14,231,982	12,069,823
Weighted average number of ordinary stock units in issue ('000)	3,900,532	3,887,356
Fully diluted earnings per stock unit ($)	3.65	3.11

(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	
	2018	**2017**
	'000	**'000**
Weighted average number of ordinary stock units for the purposes of the computation of basic earnings per stock unit	3,897,503	3,884,326
Effect of dilutive potential ordinary stock units – stock options	3,030	3,030
Weighted average number of ordinary stock units for the purposes of the computation of diluted earnings per stock unit	3,900,532	3,887,356

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

51. Cash Flows

(a) Operating activities

	Note	The Group 2018 $'000	The Group 2017 $'000	The Company 2018 $'000	The Company 2017 $'000
Adjustments for non-cash items, interest and dividends:					
Depreciation and amortisation		1,448,166	1,180,940	410,815	355,764
Interest and dividend income		(20,511,815)	(20,580,015)	(6,236,351)	(6,169,241)
Interest expense and finance costs	42	4,656,902	4,945,535	495,620	722,921
Income tax expense	49	4,170,507	2,923,782	(73,951)	(9,532)
Premium and other tax expense	49	638,047	618,992	-	200
Amortization of cost for preference shares		12,662	12,876	-	-
Gains on disposal of investment securities/investment properties		(2,679,793)	(3,029,020)	151,565	(33,036)
Fair value gains on trading securities		(1,192,732)	(3,058,954)	-	-
Credit impairment losses	11	1,296,820	1,037,752	(6,940)	-
Impairment charge on property, plant & equipment		1,249	-	-	-
Share based compensation		18,405	203,819	-	-
Gains / (losses) on revaluation of investment properties	13	83,068	(42,000)	-	-
(Gains) / losses on disposal of property, plant and equipment		(583,726)	11,283	-	-
(Decrease) / increase in policyholders' funds		(25,149)	61,706	-	-
Net movement in actuarial liabilities		2,252,471	10,675,068	-	-
Retirement benefit obligations		414,095	776,784	-	-
Effect of exchange gains on foreign currency balances		178,001	623,038	(21,440)	21,959
Gain on sale of interest in associate		(1,521,065)	(289,586)	-	-
Share of income from joint venture and associate		62,532	(853,136)	-	-
		(11,281,355)	(4,781,136)	(5,280,682)	(5,110,965)

(b) Changes in other operating assets and liabilities:

	The Group 2018 $'000	The Group 2017 $'000	The Company 2018 $'000	The Company 2017 $'000
Changes in other operating assets and liabilities:				
Statutory reserves at Bank of Jamaica	(911,919)	(3,169,306)	-	-
Structured products and derivatives	2,309,645	1,348,741	-	-
Stock options and grants	(25,288)	(222,651)	(6,883)	(18,837)
Reinsurance contracts	(290,456)	(176,763)	-	-
Due from related parties	29,632	(110,767)	(134,197)	668,567
Other assets	9,370,517	(3,780,220)	(52,636)	(192,317)
Other liabilities	(6,337,230)	5,997,742	502,945	64,812
	4,144,901	(113,224)	309,229	522,225

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

51. Cash Flows (Continued)

(c) Net investment purchases:

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Proceeds on sale of investment securities	68,510,470	173,876,086	235,404	1,377,595
Purchase of investment securities	(77,075,968)	(170,219,123)	(125,274)	-
Loans	(9,004,263)	(5,594,833)	2,940	(2,940)
Lease receivables	(122,401)	(14,445)	-	-
	(17,692,162)	(1,952,315)	113,070	1,374,655

(d) Investing Activities

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Purchase of property, plant and equipment (Note 19)	(588,193)	(826,711)	(69,942)	(181,810)
Proceeds from sale of property, plant and equipment	1,467,427	5,712	-	-
	879,234	(820,999)	(69,942)	(181,810)

(e) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented:

	The Group	The Company	The Group	The Company
	2018	**2018**	**2017**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	15,892,459	947,325	18,811,881	278,418
Borrowings – repayable within one year (including overdraft)	(156,036,821)	(9,270,136)	(16,633,429)	(13,763,583)
Borrowings – repayable after one year	(19,098,125)	(3,990,083)	(2,054,231)	-
Net Debt	(159,242,487)	(12,312,894)	(124,221)	(13,485,164)
Cash and liquid investments	15,892,459	947,325	18,811,881	278,418
Gross debt – fixed interest rates	(167,318,499)	(13,260,219)	(2,054,231)	(13,763,583)
Gross debt – variable interest rates	(7,816,447)	-	(16,633,429)	-
Net Debt	(159,242,487)	(12,312,894)	(124,221)	(13,485,164)

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

51. Cash Flows (Continued)

	The Group				
	Cash $'000	Liquid Investments (i) $'000	Borrowings due within 1 year $'000	Borrowings due after 1 year $'000	Total $'000
Cash and cash equivalents	11,426,808	4,339,543	(154,413,834)	(18,899,480)	(157,546,963)
Foreign exchange adjustments	126,108	-	(1,622,987)	(198,645)	(1,695,524)
Other non-cash movements	-	-	-	-	-
Net debt as at 31 December 2018	11,552,916	4,339,543	(156,036,821)	(19,098,125)	(159,242,487)
Cash and cash equivalents	12,944,084	8,030,058	(12,809,380)	(8,314,229)	(149,467)
Foreign exchange adjustments	(291,767)	-	195,223	121,790	25,246
Other non-cash movements	-	-	-	-	-
Net debt as at 31 December 2017	12,652,317	8,030,058	(12,614,157)	(8,192,439)	(124,221)

	The Company				
	Cash/bank overdraft $'000	Liquid Investments (i) $'000	Borrowings due within 1 year $'000	Borrowings due after 1 year $'000	Total $'000
Net debt as at 1 January 2017					
Cash and cash equivalents	209,332	-	(6,737,599)	-	(6,528,267)
Foreign exchange adjustments	2,932	-	-	-	2,932
Other non-cash movements	-	-	-	-	-
Net debt as at 31 December 2017	**212,264**	-	**(6,737,599)**	-	**(6,525,335)**
Cash and cash equivalents	294,398	650,728	(9,270,136)	(3,990,083)	(12,315,093)
Foreign exchange adjustments	2,199	-	-	-	2,199
Other non-cash movements	-	-	-	-	-
Net debt as at 31 December 2018	**296,597**	650,728	(9,270,136)	(3,990,083)	(12,312,894)

(i) Liquid investments comprise current investments that are traded in an active market, being the company's financial assets held at fair value through profit or loss.

52. 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 FVOCI (available-for-sale) are measured at fair value by reference to quoted market prices or dealer quotes when available (level 1). If quoted market prices are not available, then fair values are based on pricing models or other recognised valuation techniques.(level 3) Investments in unit trusts are based on prices quoted by the fund managers.(level 2)

(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 (level 1). 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 (level 3).

(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 (level 3). 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. (level 3)

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.

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

52. 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 2018 $000	**Fair Value 2018 $000**	**Carrying Value 2017 $000**	**Fair Value 2017 $000**
Financial Assets				
Investments at amortized cost (loans and receivables)	72,997,712	80,503,556	64,315,138	75,722,508
Loans & leases, after allowance for credit losses	69,284,592	67,559,752	61,431,486	59,877,132
Financial Liabilities				
Securities sold under agreements to repurchase	53,988,378	60,152,419	59,322,292	59,477,014
Customer deposits and other accounts	89,945,425	90,424,811	81,285,114	81,420,897
Due to banks and other financial institutions	11,347,332	8,571,380	16,633,429	17,135,064

	The Company			
	Carrying Value 2018 $000	**Fair Value 2018 $000**	**Carrying Value 2017 $000**	**Fair Value 2017 $000**
Financial Assets				
Financial investments – loans and receivables	575,811	575,853	132,946	132,946

The following table provides an analysis of financial instruments that are measured in the statement of financial position at fair value at 31 December 2018 , grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

(i) Level 1 – unadjusted quoted prices in active markets for identical instruments

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other independent source, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Group considers that market transactions should occur with sufficient frequency that is appropriate for the particular market, when measured over a continuous period preceding the date of the financial statements. If there is no data available to substantiate the frequency of market transactions of a financial instrument, then the instrument is not classified as Level 1.

52. Fair Values of Financial Instruments (Continued)

(ii) Level 2 – inputs that are observable for the instrument, either directly or indirectly

A financial instrument is classified as Level 2 if:

- The fair value is derived from quoted prices of similar instruments which would be classified as Level 1; or
- The fair value is determined from quoted prices that are observable but there is no data available to substantiate frequent market trading of the instrument.

In estimating the fair value of non-traded financial assets, the Group uses a variety of methods such as obtaining dealer quotes and using discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are discounted at market derived rates for government securities in the same country of issue as the security; for non-government securities, an interest spread is added to the derived rate for a similar government security rate according to the perceived additional risk of the non-government security.

In assessing the fair value of non-traded financial liabilities, the Group uses a variety of methods including obtaining dealer quotes for specific or similar instruments and the use of internally developed pricing models, such as the use of discounted cash flows. If the non-traded liability is backed by a pool of assets, then its value is equivalent to the value of the underlying assets.

Certain of the Group's liabilities are unit linked, i.e. derive their value from a pool of assets which are carried at fair value. The Group assigns a fair value hierarchy of Level 2 to the contract liability if the liability represents the unadjusted fair value of the underlying pool of assets.

(i) Level 3 – inputs for the instrument that are not based on observable market data

A financial instrument is classified as Level 3 if:

- The fair value is derived from quoted prices of similar instruments that are observable and which would be classified as Level 2; or
- The fair value is derived from inputs that are not based on observable market data.

Level 3 FVOCI (2017 - available for sale) securities include corporate and government agency debt instruments. The fair values of these instruments have been derived from December 31 market yields of government instruments of similar durations in the country of issue of the instruments.

Level 3 assets designated as FVTPL (2017 - fair value through income) include mortgage loans, debt securities and equities for which the full income return and capital returns accrue to holders of unit linked liabilities. These assets are valued with inputs other than observable market data.

The techniques and methods described in the preceding section (ii) for non-traded financial assets and liabilities may also be used in determining the fair value of Level 3 instruments.

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

52. Fair Values of Financial Instruments (Continued)

	The Group 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial Assets				
Financial investments	72,998,944	79,370,162	1,003,933	153,374,039
Derivative financial instruments	-	31,464	-	31,464
	72,998,944	79,401,626	1,003,933	153,405,503
Non Financial Assets				
Property, plant & equipment	-	-	15,052,033	15,052,033
Investment properties	-	-	2,552,460	2,552,460
	72,998,994	79,401,626	18,608,426	171,009,996
Financial Liabilities				
Derivative financial instruments	-	31,464	-	-

	The Group 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial Assets				
Financial investments	79,654,312	75,068,633	47,093	154,770,038
Derivative financial instruments	-	278,010	-	278,010
	79,654,312	75,346,643	47,093	155,048,048
Non Financial Assets				
Property, plant & equipment	-	-	3,091,505	3,091,505
Investment properties	-	-	530,000	530,000
	79,654,312	75,346,643	3,668,598	158,669,553
Financial Liabilities				
Derivative financial instruments	-	278,010	-	278,010

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

52. Fair Values of Financial Instruments (Continued)

Description	Fair value at 2018 $'000	Fair value at 2017 $'000	Unobservable inputs	Range of unobservable inputs 2018 $'000	Range of unobservable inputs 2017 $'000	Relationship of unobservable inputs to fair value
Investment properties	2,552,460	530,000	Comparable sale	5%	5%	Increased in comparable sale prices will have direct correlation to the fair value.
Property, plant & equipment	15,052,032	3,091,505	Comparable sale	5%	5%	Increased in comparable sale prices will have a direct correlation to fair value.
Unquoted ordinary equity	1,003,933	47,093	Valued at cost less impairment	2.5% - 3.5%	2.5% - 3.5%	Increased earnings growth factor (+500 basis points (bps) and lower discount rate (-100 bps) would increase /decrease fair value by $100,393,000 (2017 -$4,709,000).
	18,608,425	3,668,598				

Reconciliation of level 3 items –

	The Group 2018 $'000	The Group 2017 $'000
Balance at beginning of year	3,668,598	3,039,132
Total gains/(losses) – OCI	1,831,140	110,403
Total gains/(losses) – income statement	488,646	(771)
Purchases	2,113,735	579,200
Transferred in/Assumed on Acquisition	11,601,717	-
Settlements	(1,095,411)	(59,366)
Balance at end of year	18,608,425	3,668,598

The gains or losses recorded in the income statement are included in Note 42.

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

52. Fair Values of Financial Instruments (Continued)

The carrying value (excluding accrued interest) (Note 24) and fair value of investment securities classified as loans and receivables were as follows:

	The Group	
	Carrying Value $'000	Fair Value $'000
At December 31, 2018	71,666,730	79,676,042
At December 31, 2017	63,164,569	74,571,940

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

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

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

53. Insurance and Financial Risk Management

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

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

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

53. Insurance and Financial Risk Management (Continued)

(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 mainly of 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.

(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.

53. Insurance and Financial Risk Management (Continued)

(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.

(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.

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts

(i) Frequency and severity of claims (continued)

For contracts with fixed and guaranteed benefits and fixed return premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted.

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

	The Group			
Individual Life Benefits Assured per Life ('000)	Total Benefits Insured			
2018	Before Reinsurance $'000	%	ter Reinsurance $'000	%
0 – 200	122,692,563	8	114,447,123	8
200 - 400	113,645,965	8	107,648,904	8
400 - 800	125,832,985	9	115,130,499	8
800 - 1000	110,175,879	8	104,908,120	8
More than 1,000	958,200,639	67	932,514,309	68
Total	1,430,548,031	100	1,374,648,955	100

	The Group			
Individual Life Benefits Assured per Life ('000)	Total Benefits Insured			
2017	Before Reinsurance $'000	%	After Reinsurance $'000	%
0 – 200	121,224,579	9	112,989,983	9
200 - 400	110,332,534	9	104,477,972	8
400 - 800	113,464,274	9	104,778,770	9
800 - 1000	100,070,629	8	94,382,364	8
More than 1,000	843,525,650	65	820,384,934	66
Total	1,288,617,666	100	1,237,014,023	100

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. 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			
2018	**Before Reinsurance $'000**	**%**	**After Reinsurance $'000**	**%**
0 - 200	28,894,850	3	19,592,634	3
200 - 400	3,859,442	-	2,269,596	-
400 - 800	898,630	-	575,226	-
800 - 1,000	27,032	-	27,032	-
More than 1,000	848,422,922	97	838,198,236	97
	882,102,876	100	860,662,724	100

	The Group			
Group Life Benefits Assured per Life ('000)	Total Benefits Insured			
2017	**Before Reinsurance $'000**	**%**	**After Reinsurance $'000**	**%**
0 - 200	29,272,485	4	19,888,852	3
200 - 400	2,398,421	-	1,128,272	-
400 - 800	521,346	-	328,625	-
800 - 1,000	34,327	-	34,327	-
More than 1,000	739,823,119	96	732,837,994	97
	772,049,698	100	754,218,070	100

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. 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.

Annuity Payable per annum per annuitant ('000)	The Group Total Benefits Insured	
2018	**$'000**	**%**
0 – 20	83,345	2
20 - 40	85,174	2
40 - 80	78,711	2
80 - 100	40,956	1
More than 100	3,868,476	93
Total	4,156,662	100

Annuity Payable per annum per annuitant ('000)	The Group Total Benefits Insured	
2017	**$'000**	**%**
0 - 20	79,554	2
20 - 40	82,400	2
40 - 80	81,792	2
80 - 100	38,306	1
More than 100	3,586,062	93
Total	3,868,114	100

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

53. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

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 heightened by such behaviour.

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

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

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

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

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

See Note 36(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.

53. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

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 51(b)).

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

Claims risk is the risk that:

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

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

(i) Frequency and severity of claims

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

Insurance risk under disability contracts is also dependent on economic conditions in the industry. The Group attempts to manage this risk through its underwriting, claims handling and reinsurance policy. Excess of loss reinsurance contracts have been purchased by the Group to limit the maximum loss on any one life and health claims, see Note 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 36(e) for detail policy assumptions.

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

53. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

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.

(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.

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:

53. Insurance and Financial Risk Management (Continued)

Type of insurance contract	Retention by insurers
Health insurance contracts with groups	Retention per individual to a maximum J$1,500,000.
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.

(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 $291,224,000 (2017 - $251,247,000) 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.

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

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

(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 2018 and 2017.

	The Group						
	2018						
	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	2,612,039	-	-	-	-	8,940,877	11,552,916
Cash reserve at Bank of Jamaica	-	12,330,758	-	-	-	-	12,330,758
Financial investments and pledged assets	13,070,940	20,977,817	9,627,541	16,970,382	138,379,458	30,296,651	229,322,789
Derivative financial instruments	-	-	-	-	-	31,464	31,464
Loans & leases, after allowance for credit losses	26,868,940	40,169,631	570,589	1,100,600	310,351	264,481	69,284,592
Reinsurance contracts	-	-	-	-	-	765,651	765,651
Other assets	-	-	-	122,643	-	8,057,923	8,180,566
Non-financial assets							
Investment properties	-	-	-	-	-	2,552,460	2,552,460
Investment in joint venture	-	-	-	-	-	330,804	330,804
Investment in associated companies	-	-	-	-	-	24,764,690	24,764,690
Intangible assets	-	-	-	-	-	6,651,581	6,651,581
Property, plant and equipment	-	-	-	-	-	19,000,411	19,000,411
Deferred income taxes	-	-	-	-	-	3,405,053	3,405,053
Taxation recoverable	-	-	-	-	-	3,256,419	3,256,419
Retirement benefit Assets	-	-	-	-	-	183,351	183,351
Other assets	-	-	-	-	-	2,519,248	2,519,248
Total assets	42,551,919	73,478,206	10,198,130	18,193,625	138,689,809	111,021,064	394,132,753

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

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

	The Group						
	2018						
	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	-	109,925,643	20,332,611	26,568,301	7,496,060	610,885	164,933,500
Derivative financial instruments	-	-	-	-	-	31,464	31,464
Loan Payable	-	-	668,221	2,153,489	6,973,914	174,478	9,970,102
Other liabilities	-	-		122,643	-	14,307,517	14,430,160
Insurance contracts liabilities	-	871,381	2,643,078	16,343,016	56,825,265	3,279,292	79,962,032
Investment contracts liabilities	-	6,392,013	3,654,169	3,362,160	-		13,408,342
Other policy liabilities	-	1,041,311	-	-	-	3,211,363	4,252,674
Non-financial liabilities:							
Taxation payable	-	-	-	-	-	1,880,810	1,880,810
Deferred Income Taxes	-	-	-	-	-	412,486	412,486
Other liabilities	-	-	-	-	-	79,964	79,964
Retirement benefit obligations	-	-	-	-	-	3,076,400	3,076,400
Total liabilities		118,230,348	27,298,079	48,549,609	71,295,239	27,064,659	292,437,934
On statement of financial position interest sensitivity gap	42,551,919	(44,752,142)	(17,099,949)	(30,355,984)	67,394,570	83,956,405	101,694,819
Cumulative interest sensitivity gap	42,551,919	(2,200,223)	(19,300,172)	(49,656,156)	17,738,414	101,694,819	

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

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

	The Group						
	2017						
	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	9,879,662	-	-	-	-	2,772,655	12,652,317
Cash reserve at Bank of Jamaica	11,418,839	-	-	-	-	-	11,418,839
Financial investments and pledged assets	-	38,814,628	8,230,843	13,039,096	136,361,843	27,269,861	223,716,271
Derivative financial instruments	-	-	-	-	-	278,010	278,010
Loans & leases, after allowance for credit losses	8,755,513	50,555,044	25,838	813,073	1,092,318	189,700	61,431,486
Reinsurance contracts	-	-	-	-	-	465,546	465,546
Other assets	-	-	-	8,838,088	-	7,853,191	16,691,279
Non-financial assets							
Investment properties	-	-	-	-	-	530,000	530,000
Investment in joint venture	-	-	-	-	-	356,391	356,391
Investment in associated companies	-	-	-	-	-	7,050,842	7,050,842
Intangible assets	-	-	-	-	-	5,127,730	5,127,730
Property, plant and equipment	-	-	-	-	-	5,063,646	5,063,646
Deferred income taxes	-	-	-	-	-	2,351,201	2,351,201
Taxation recoverable	-	-	-	-	-	2,332,710	2,332,710
Retirement benefit Assets	-	-	-	-	-	517,261	517,261
Other assets	-	-	-	-	-	2,052,991	2,052,991
Total assets	30,054,014	89,369,672	8,256,681	22,690,257	137,454,161	64,211,735	352,036,520

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

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

	The Group						
	2017						
	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	-	116,665,034	32,767,627	13,054,790	2,247,645	486,716	165,221,812
Derivative financial instruments	-	-	-	-	-	278,010	278,010
Other liabilities	-	-	-	8,838,088	-	10,021,807	18,859,895
Insurance contracts liabilities	-	881,493	2,583,202	13,654,497	57,605,895	3,193,426	77,918,513
Investment contracts liabilities	-	7,491,896	1,953,628	4,331,586	-	-	13,777,110
Other policy liabilities	-	967,309	-	-	-	2,830,117	3,797,426
Non-financial liabilities:							
Taxation payable	-	-	-	-	-	148,160	148,160
Retirement benefit obligations	-	-	-	-	-	3,533,463	3,533,463
Total liabilities	-	126,005,732	37,304,457	39,878,961	59,853,540	20,491,699	283,534,389
On statement of financial position interest sensitivity gap	30,054,014	(36,636,060)	(29,047,776)	(17,188,704)	77,600,621	43,720,036	68,502,131
Cumulative interest sensitivity gap	30,054,014	(6,582,046)	(35,629,822)	(52,818,526)	24,782,095	68,502,131	

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. 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					
	2018					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 Years	Over 5 Years	Weighted Average
	%	%	%	%	%	%
Cash resources	-	-	-	-	-	-
Investments (1)	-	1.54	6.56	6.23	6.96	5.84
Loans	14.79	10.15	9.93	9.86	9.61	11.91
Mortgages (2)	-	8.33	8.33	8.33	8.33	8.33
Policy loans	-	-	-	-	11.72	11.72
Investment contracts	-	5.35	5.35	5.35	5.35	5.35
Bank overdraft	-	-	-	-	-	-
Deposits	-	4.71	2.69	2.11	-	4.02
Amounts due to banks and other financial institutions	-	3.94	5.58	6.46	5.92	4.73

	The Group					
	2017					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 Years	Over 5 Years	Weighted Average
	%	%	%	%	%	%
Cash resources	0.06	-	-	-	-	0.06
Investments (1)	-	5.14	6.70	7.16	7.78	7.04
Loans	11.99	12.00	11.50	13.90	-	11.99
Mortgages (2)	-	9.41	9.41	9.41	9.41	9.41
Policy loans	-	-	-	-	8.83	8.83
Investment contracts	-	5.10	5.10	5.10	5.10	5.10
Bank overdraft	30.39	-	-	-	-	30.39
Deposits	-	3.40	4.01	3.88	3.00	3.71
Amounts due to banks and other financial institutions	-	6.55	4.09	4.17	6.25	3.71

(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.

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

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

Sensitivity

Sensitivity to interest rate risk is considered by operating subsidiaries. The effects of changes in interest rates of assets backing actuarial liabilities are disclosed in Note 53.

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

(d) Credit risk

Credit risk exposure- financial investments subject to impairment

The following tables contain analyses of the credit risk exposure of financial investments for which an ECL allowance is recognized. The gross carrying amounts of investments below represent the Group's maximum exposure to credit risk on these assets.

	The Group					
	ECL Staging				2018	December 31, 2017
Debt securities – amortised cost	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**Total**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Credit grade:						
Investment	547,344	-	-	-	547,344	546,701
Non-investment	67,624,271	-	-	-	67,624,271	57,723,447
Watch	-	-	-	-	-	12,830
Default	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
Gross carrying amount	68,171,615	-	-	-	68,171,615	58,282,978
Loss allowance	(125,670)	-	-	-	(125,670)	-
Carrying amount	68,045,945	-	-	-	68,045,945	58,282,978

	The Company					
	ECL Staging				2018	December 31, 2017
Debt securities – amortised cost	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**Total**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Credit grade:						
Investment	-	-	-	-	-	-
Non-investment	51,687	-	-	-	51,687	51,760
Watch	-	-	-	-	-	-
Default	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
Gross carrying amount	51,687	-	-	-	51,687	51,760
Loss allowance	(43)	-	-	-	(43)	-
Carrying amount	51,644	-	-	-	51,644	51,760

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit risk exposure- financial investments subject to impairment (continued)

	The Group					
	ECL Staging				2018	December 31, 2017
Mortgage loans – amortised cost	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**Total**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Credit grade:						
Investment	-	-	-	-	-	-
Non-investment	2,488,827	279,832	-	-	2,768,659	2,735,328
Watch	-	-	-	-	-	-
Default	-	-	355,702	-	355,702	300,890
Gross carrying amount	2,488,827	279,832	355,702	-	3,124,361	3,036,018
Loss allowance	(851)	(1,719)	(6,270)	-	(8,840)	(398)
Carrying amount	2,487,976	278,113	349,432	-	3,115,521	3,035,620

	The Group					
	ECL Staging				2018	December 31, 2017
Loans and leases – amortised cost	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**Total**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Credit grade:						
Investment	-	-	-	-	-	-
Non-investment	66,933,186	1,878,221	-	-	68,811,409	51,287,429
Watch	-	-	-	-	-	-
Default	-	-	2,269,977	-	2,269,976	1,673,782
Gross carrying amount	66,933,188	1,878,221	2,269,977	-	71,081,386	62,961,211
Loss allowance	(558,877)	(153,828)	(1,084,089)	-	(1,796,794)	(1,529,725)
Carrying amount	66,374,311	1,724,393	1,185,888	-	69,284,592	61,431,486

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit risk exposure- financial investments subject to impairment (continued)

	The Group					
	ECL Staging				2018	December 31, 2017
Securities purchased for resale – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total	Total
	$000	$000	$000	$000	$000	$000
Credit grade:						
Non-investment	913,344	-	-	-	913,344	2,057,684
Gross carrying amount	913,344	-	-	-	913,344	2,057,684
Loss allowance	-	-	-	-	-	-
Carrying amount	913,344	-	-	-	913,344	2,057,684

	The Company					
	ECL Staging				2018	December 31, 2017
Securities purchased for resale – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total	Total
	$000	$000	$000	$000	$000	$000
Credit grade:						
Non-investment	524,167	-	-	-	524,167	81,186
Gross carrying amount	524,167	-	-	-	524,167	81,186
Loss allowance	-	-	-	-	-	-
Carrying amount	524,167	-	-	-	524,167	81,186

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit risk exposure- financial investments subject to impairment (continued)

	The Group					
	ECL Staging				2018	December 31, 2017
Policy loans – amortised cost	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**Total**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Credit grade:						
Investment	936,871	-	-	-	936,871	938,856
Unrated	-	-	-	-	-	-
Gross carrying amount	936,871	-	-	-	936,871	938,856
Loss allowance	(13,733)	-	-	-	(13,733)	-
Carrying amount	925,123	-	-	-	925,123	938,856

	The Group					
	ECL Staging				2018	December 31, 2017
Deposits – amortised cost	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**Total**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Credit grade:						
Investment	901,184	-	-	-	901,184	4,049,853
Non-investment	2,050,829	-	-	-	2,050,.829	535,178
Watch	-	-	-	-	-	46,064
Unrated	-	-	-	-	-	
Gross carrying amount	2,952,013	-	-	-	2,952,013	4,631,095
Loss allowance	-	-	-	-	-	-
Carrying amount	2,952,013	-	-	-	2,952,013	4,631,095

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit risk exposure- financial investments subject to impairment (continued)

	The Company					
	ECL Staging				2018	December 31, 2017
Deposits – amortised cost	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**Total**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Credit grade:						
Investment	390,639	-	-	-	390,639	383,227
Non-investment	125,134	-	-	-	125,134	-
Watch	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
Gross carrying amount	515,773	-	-	-	515,773	383,227
Loss allowance	-	-	-	-	-	-
Carrying amount	515,773	-	-	-	515,773	383,227

	The Group					
	ECL Staging				2018	December 31, 2017
Debt securities – FVOCI	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**Total**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Credit grade:						
Investment	62,888,408	-	-	-	68,888,408	59,943,339
Non-investment	56,201,813	5,066,827	-	-	63,698,512	61,807,722
Watch	-	-	-	-	-	-
Default	-	-	2,429,872	-	-	-
Unrated	-	-	-	-	-	-
Gross carrying amount	119,090,221	5,066,827	2,429,872	-	126,586,920	121,751,061
Loss allowance	(130,742)	(502,944)	(876,076)	-	(1,510,392)	(291,137)
Carrying amount	118,959,479	4,563,883	1,553,166	-	125,076,528	121,459,924

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit risk exposure- financial investments subject to impairment (continued)

	The Company					
	ECL Staging				2018	December 31, 2017
Debt securities – FVOCI	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**Total**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Credit grade:						
Investment	-	-	-	-	-	30,710
Non-investment	157,511	-	-	-	157,511	384,634
Watch	-	-	-	-	-	-
Default	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
Gross carrying amount	157,511	-	-	-	157,511	415,344
Loss allowance	(17)	-	-	-	(17)	-
Carrying amount	157,494	-	-	-	157,494	415,344

For financial investments measured at FVTPL under the unit-linked funds fair value model, the unit holders bear the credit risk and the Group has no direct credit exposure.

Maximum exposure to credit risk - Financial instruments not subject to impairment

	The Group	The Company
	Maximum exposure to credit risk	
	$000	**$000**
Financial assets designated at fair value		
Debt securities	7,778,093	-
Derivative financial instruments	278,010	-

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loss allowances

The allowance for ECL is recognised in each reporting period and is impacted by a variety of factors, as described below:

- Transfers between stages due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired during the period;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to inputs used in the calculation including the effect of 'step-up' (or 'step down') between 12-month and life-time ECL;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements;

The following tables contain an analysis of the credit risk exposure of financial investments for which an ECL allowance is recognised. The gross carrying amount of financial assets below represents the Group's maximum exposure to credit risk on these assets.

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES - FVOCI	**$000**	**$000**	**$000**	**$000**	**$000**
Loss Allowance as at January 01, 2018	292,239	531,431	11,812	-	835,482
Transfers:					
Transfer from Stage 1 to Stage 2	(1,201)	1,201	-	-	-
Transfer from Stage 1 to Stage 3	(97,473)	-	97,473	-	-
Transfer from Stage 2 to Stage 3	-	(952)	952	-	-
New financial assets originated or purchased	24,861	13,970	-	-	38,831
Financial assets fully derecognised during the period	(56,035)	(205,086)	(11,812)	-	(272,933)
Changes to inputs used in ECL calculation	(36,868)	155,775	776,329	-	895,236
Foreign exchange adjustment	5,219	6,605	1,952	-	13,776
Loss Allowance as at December 31, 2018	130,742	502,944	876,706	-	1,510,392

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loss allowances (continued)

	The Company				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES - FVOCI	**$000**	**$000**	**$000**	**$000**	**$000**
Loss Allowance as at January 01, 2018	**6,879**	**-**	**-**	**-**	**6,879**
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	(6,848)	-	-	-	(6,848)
Changes in models/assumptions used in ECL calculation	-	-	-	-	-
Changes to inputs used in ECL calculation	(15)	-	-	-	(15)
Foreign exchange adjustment	1	-	-	-	1
Loss Allowance as at December 31, 2018	17	-	-	-	17

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES – AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Loss Allowance as at January 01, 2018	**129,722**	**952**	**-**	**-**	**130,674**
Transfers:					
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
New financial assets originated or purchased	74,055	-	-	-	74,055
Financial assets fully derecognised during the period	(38,101)	(952)	-	-	(39,053)
Changes in models/assumptions used in ECL calculation	-	-	-	-	-
Changes to inputs used in ECL calculation	(40,737)	-	-	-	(40,737)
Foreign exchange adjustment	731	-	-	-	731
Loss Allowance as at December 31, 2018	125,670	-	-	-	125,670

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loss allowances (continued)

	The Company				
					ECL staging
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES – AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Loss Allowance as at January 01, 2018	**75**	**-**	**-**	**-**	**75**
Transfers:					
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	-	-	-
Changes in models/assumptions used in ECL calculation	-	-	-	-	-
Changes to inputs used in ECL calculation	(32)	-	-	-	(32)
Foreign exchange adjustment	-	-	-	-	-
Loss Allowance as at December 31, 2018	43	-	-	-	43

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
MORTGAGE LOANS - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Loss Allowance as at January 01, 2018	**849**	**7**	**398**	**-**	**1,254**
Transfers:					
Transfer from Stage 1 to Stage 2	(63)	63	-	-	-
Transfer from Stage 1 to Stage 3	(1)	-	1	-	-
Transfer from Stage 2 to Stage 1	1	(1)	-	-	-
Transfer from Stage 2 to Stage 3	-	(3)	3	-	-
Transfer from Stage 3 to Stage 2	-	225	(225)	-	-
Transfer from Stage 3 to Stage 1	258	-	(258)	-	-
New financial assets originated or purchased	88	-	-	-	88
Financial assets fully derecognised during the period	(20)	-	-	-	(20)
Changes to inputs used in ECL calculation	(261)	1,428	6,351	-	7,518
Foreign exchange adjustments	-	-	-	-	-
Loss Allowance as at December 31, 2018	851	1,719	6,270	-	8,840

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loss allowances (continued)

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
LOANS AND LEASES - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Loss Allowance as at January 01, 2018	691,271	161,300	1,025,707	-	1,878,278
Transfers:					
Transfer from Stage 1 to Stage 2	(12,024)	12,024	-	-	-
Transfer from Stage 1 to Stage 3	(3,036)	-	3,036	-	-
Transfer from Stage 2 to Stage 1	44,605	(44,605)	-	-	-
Transfer from Stage 2 to Stage 3	-	(33,066)	33,066	-	-
Transfer from Stage 3 to Stage 2	-	1,343	(1,343)	-	-
Transfer from Stage 3 to Stage 1	4,117	-	(4,117)	-	-
New financial assets originated or purchased	220,395	23,341	142,592	-	386,328
Financial assets fully derecognised during the period	(205,995)	(60,697)	(336,846)	-	(603,638)
Changes to inputs used in ECL calculation	(182,598)	93,693	219,325	-	130,420
Foreign exchange adjustment	2,142	495	2,669	-	5,306
Loss Allowance as at December 31, 2018	558,877	153,828	1,084,089	-	1,796,794

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEPOSITS - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Loss Allowance as at January 01, 2018	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	-	-	-
Changes to inputs used in ECL calculation	-	-	-	-	-
Foreign exchange adjustment	-	-	-	-	-
Loss Allowance as at December 31, 2018	-	-	-	-	-

	The Company				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEPOSITS - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Loss Allowance as at January 01, 2018	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	-	-	-
Changes to inputs used in ECL calculation	-	-	-	-	-
Foreign exchange adjustment	-	-	-	-	-
Loss Allowance as at December 31, 2018	-	-	-	-	-

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

(e) Credit risk (continued)

Loss allowances (continued)

Under IAS 39 there was a collective provision for financial assets recognised of $503,886,000. Upon adoption of IFRS 9 as at January 1, 2018, an expected credit loss on assets in stage 1 and stage 2 replaced the IAS 39 collective provision.

The most significant period-end assumptions used for the ECL were as follows:

At January 1, 2018

Economic variable assumptions for exposure corporate securities

		2018	2019	2020
Unemployment rate	Base	4.15%	4.13%	4.50%
(USA)	Upside	4.23%	4.03%	4.15%
	Downside	4.55%	4.78%	5.00%
World GDP growth rate	Base	3.70%	3.70%	3.70%
	Upside	5.55%	5.55%	5.58%
	Downside	2.75%	2.75%	2.77%
WTI Oil Prices/10	Base	$5.94	$5.59	$5.34
	Upside	$1.96	$1.96	$1.96
	Downside	$9.52	$9.52	$9.52

At January 1, 2018

Economic state assumptions for exposure in sovereign securities

		2018	2019	2020
Jamaica	Base	Stable	Stable	Stable
	Upside	Stable	Positive	Positive
	Downside	Stable	negative	negative

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loss allowances (continued)

At December 31, 2018

Economic variable assumptions for exposure in corporate securities

		2019	2020	2021
Unemployment rate	Base	4.20%	4.30%	4.40%
(USA)	Upside	4.00%	4.20%	4.30%
	Downside	4.40%	4.70%	4.80%
World GDP growth rate	Base	3.70%	3.70%	3.60%
	Upside	5.40%	5.40%	5.40%
	Downside	2.80%	2.80%	2.70%
WTI Oil Prices/10	Base	$4.80	$5.05	$5.15
	Upside	$9.48	$9.48	$9.48
	Downside	$2.95	$3.10	$3.16

At December 31, 2018

Economic state assumptions for exposure in sovereign securities

		2019	2020	2021
Jamaica	Base	Positive	Stable	Stable
	Upside	Positive	Positive	Positive
	Downside	Stable	negative	negative

Sagicor's lending operations in Jamaica have limited readily available information regarding economic forecasts. Management has examined the information within the market and selected economic drivers that have the best correlation to the portfolio's performance. Economic state is assigned to reflect the driver's impact on ECL.

At January 1, 2018

Jamaica	Expected state for the next 12 months	
Interest rate	Base	Stable
	Upside	Stable
	Downside	Stable
Unemployment rate	Base	Stable
	Upside	Positive
	Downside	Negative

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loss allowances (continued)

At December 31, 2018

Jamaica	Expected state for the next 12 months	
Interest rate	Base	Positive
	Upside	Positive
	Downside	Stable
Unemployment rate	Base	Positive
	Upside	Super positive
	Downside	Negative

The economic states assigned above are translated into numerical figures.

SICR and IAS 1 critical estimated disclosure

SICR criteria *	Actual threshold applied	Change in threshold	ECL impact of Change in threshold
Investments	2-notch downgrade since origination	1-notch downgrade since origination	163,230

* See note 3.1 for full criteria for staging. The staging for lending products are primarily based on days past due with 30-day used as backstop, thus sensitivity analysis is not performed.

Loss Given Default	Actual value applied	Change in value	ECL impact of Increase in value	Decrease in value
Investments - Corporate Debts	52%	(- /+ 5) %	61,560	(61,560)
Investments - Sovereign Debts (excluding Government of Barbados and Government of Jamaica)	35%	(- /+ 5) %	3,163	(3,163)
Investments - Sovereign Debts (Government of Barbados)	36%	(- /+ 5) %	121,494	(121,494)
Investments - Sovereign Debts (Government of Jamaica)	15%	(- /+ 5) %	30,313	(30,313)

Weighting for downside scenario	Actual value applied	Change in value	ECL impact of Increase in value	Decrease in value
Investments - excluding Government of Barbados	10% (80% for base scenario and 10% for upside scenario)	(- /+ 5) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly	14,391	(14,391)
Lending products	10% (80% for base scenario and 10% for upside scenario)	(- /+ 5) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly	23,687	(23,687)

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

IFRS 9 carrying values

The following tables explain the changes in the carrying value between the beginning and the end of the period due to these factors. The gross carrying amounts of investments below represent the Group's maximum exposure to credit risk on these assets.

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES - FVOCI	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2018	115,640,771	5,820,135	290,280	-	121,751,186
Transfers:					
Transfer from Stage 1 to Stage 2	(1,756,141)	1,756,141	-	-	-
Transfer from Stage 1 to Stage 3	(2,322,756)	-	2,322,756	-	-
Transfer from Stage 2 to Stage 3	-	(12,813)	12,813	-	-
New financial assets originated or purchased	32,405,844	140,515	-	-	32,546,359
Financial assets fully derecognised during the period	(19,885,271)	(2,013,151)	(290,280)	-	(22,188,702)
Changes in principle and interest	(6,392,456)	(713,533)	94,303	-	(7,011,686)
Foreign exchange adjustment	1,400,230	89,533	-	-	1,489,763
Gross carrying amount as at December 31, 2018	119,090,221	5,066,827	2,429,872	-	126,586,920

	The Company				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES - FVOCI	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2018	415,344	-	-	-	415,344
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
New financial assets originated or purchased	126,560	-	-	-	126,560
Financial assets fully derecognised during the period	(384,634)	-	-	-	(384,634)
Changes in principle and interest	(377)	-	-	-	(377)
Foreign exchange adjustment	618	-	-	-	618
Gross carrying amount as at December 31, 2018	157,511	-	-	-	157,511

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

IFRS 9 carrying values (continued)

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2018	58,270,205	12,773	-	-	58,282,978
Transfers:					
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
New financial assets originated or purchased	18,382,825	(12,773)	-	-	18,370,052
Financial assets fully derecognised during the period	(3,775,443)	-	-	-	(3,775,443)
Changes in principal and interest	(5,156,577)	-	-	-	(5,156,577)
Foreign exchange adjustment	490,605	-	-	-	490,605
Gross carrying amount as at December 31, 2018	68,171,615	-	-	-	68,171,615

	The Company				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2018	51,760	-	-	-	51,760
Transfers:					
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	(72)	-	-	-	(72)
Changes in principal and interest	-	-	-	-	-
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at December 31, 2018	51,688	-	-	-	51,688

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

IFRS 9 carrying values (continued)

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
MORTGAGE LOANS - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2018	2,510,549	224,778	300,292	-	3,035,619
Transfers:					
Transfer from Stage 1 to Stage 2	(182,441)	182,441	-	-	-
Transfer from Stage 1 to Stage 3	(3,291)	-	3,291	-	-
Transfer from Stage 2 to Stage 1	29,278	(29,278)	-	-	-
Transfer from Stage 2 to Stage 3	-	(97,632)	97,632	-	-
Transfer from Stage 3 to Stage 2	-	14,312	(14,312)	-	-
Transfer from Stage 3 to Stage 1	12,458	-	(12,458)	-	-
New financial assets originated or purchased	234,613			-	234,613
Financial assets fully derecognised during the period	(57,502)	(3,292)	(11,478)	-	(72,272)
Write-offs	-	-	-	-	-
Changes in principal and interest	(53,275)	(11,497)	(8,827)	-	(72,037)
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at December 31, 2018	2,490,389	279,832	354,140	-	3,124,361

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
POLICY LOANS - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2018	938,856	-	-	-	938,856
Transfers:					
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	-	-	-
Changes in principal and interest	(1,985)	-	-	-	(1,985)
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at December 31, 2018	936,871	-	-	-	936,871

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

IFRS 9 carrying values (continued)

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
LOANS AND LEASES - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2018	60,349,567	937,861	1,673,782	-	62,961,210
Transfers:					
Transfer from Stage 1 to Stage 2	(1,226,376)	1,226,376	-	-	-
Transfer from Stage 1 to Stage 3	(256,868)	-	256,868	-	-
Transfer from Stage 2 to Stage 1	313,984	(313,984)	-	-	-
Transfer from Stage 2 to Stage 3	-	(165,618)	165,618	-	-
Transfer from Stage 3 to Stage 2	-	2,003	(2,003)	-	-
Transfer from Stage 3 to Stage 1	6,140	-	(6,140)	-	-
New financial assets originated or purchased	26,960,721	270,083	433,921	-	27,664,725
Financial assets fully derecognised during the period	(17,740,762)	(314,595)	(514,289)	-	(18,569,646)
Write-offs	-	-	-	-	-
Changes in principal and interest	(1,717,986)	230,738	257,322	-	(1,229,926)
Foreign exchange adjustment	243,208	5,357	4,897	-	253,462
Gross carrying amount as at December 31, 2018	66,931,628	1,878,221	2,269,976	-	71,079,825

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
SECURITIES PURCHASED FOR RESALE - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2018	2,057,684	-	-	-	2,057,684
Net new financial assets originated or purchased	45,516,591	-	-	-	45,516,591
Financial assets fully derecognised during the period	(46,684,052)	-	-	-	(46,684,052)
Write-offs	-	-	-	-	-
Changes in principal and interest	(2,093)		-	-	(2,093)
Foreign exchange adjustment	25,214	-	-	-	25,214
Gross carrying amount as at December 31, 2018	913,344	-	-	-	913,344

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

IFRS 9 carrying values (continued)

	The Company				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
SECURITIES PURCHASED FOR RESALE - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2018	81,186	-	-	-	81,186
Net new financial assets originated or purchased	442,981	-	-	-	442,981
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at December 31, 2018	524,167	-	-	-	524,167

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEPOSITS - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2018	4,631,095	-	-	-	4,631,095
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	-	-	-
Changes in principal and interest	(1,679,082)	-	-	-	(1,679,082)
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at December 31, 2018	2,952,013	-	-	-	2,952,013

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

IFRS 9 carrying values (continued)

	The Company				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEPOSITS - AMORTISED COST	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount as at January 01, 2018	383,227	-	-	-	383,227
New financial assets originated or purchased	125,000	-	-	-	125,000
Financial assets fully derecognised during the period	-	-	-	-	-
Changes in principal and interest	(158)	-	-	-	(158)
Foreign exchange adjustment	(7,704)	-	-	-	(7,704)
Gross carrying amount as at December 31, 2018	515,773	-	-	-	515,773

Debt Securities in default

During the month of June 2018, the Government of Barbados (GOB) suspended all payments to creditors of its external commercial debt which is denominated primarily in US dollars. Interest payments due on June 5, 2018 and June 15, 2018 were not made. Principal payments on matured domestic debt which is denominated in Barbados dollars were suspended and debt holders were required to roll-over principal balances.

The announcement of the suspended payments was evidence that the financial assets were credit-impaired and consequently, in June Sagicor re-classified its GOB debt security holdings to Stage 3 with a probability of default of 100%. Some GOB debt instruments were purchased more recently and therefore there were instruments that had not yet experienced a significant increase in credit risk relative to the initial credit risk and moved from Stage 1 to Stage 3 upon the announcement.

On September 7, 2018 the GOB announced its debt restructuring program which is being done in conjunction with the economic recovery plan and an IMF programme.

As at September 30, 2018 the negotiations relating to the new bond were materially completed and on October 3, 2018 the company signed an agreement with the Government of Barbados which outlined the terms of the debt exchange. for domestic Barbados dollar bonds in exchange for its Barbados debt the Group has accepted the following securities:

Series C

A 15-year amortising bond with interest rates ranging from 1.0% for the first 3 years to 3.75% for years 5 through to maturity. Interest on these bonds is to be paid quarterly with the first payment due on December 31, 2018. The principal will be repaid in four equal quarterly instalments commencing one year prior to maturity.

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Debt Securities in default (continued)

Series D

A 35-year amortising bond with interest rates ranging from 1.5% for the first 5 years to 7.5% for years 16 through to maturity. Interest on these bonds is paid quarterly with the first payment due on November 30, 2018. The principal will be repaid in three equal instalments commencing one year prior to maturity with the final payment on August 31, 2053.

Series G

A 50-year amortising bond which includes a 15-year grace period on principal payments. The interest rates on the bond range from 4% per annum for the first 15 years to 8% for years 26 through 50 with interest capitalisation of 100% for the first five years.

External Debt

The restructuring of the external debt is yet to be finalised.

Given this agreement and the short timeframe required for the restructuring to close subsequent to September 30, 2018 the Group applied a significant weighting to the probability of the current instruments being exchanged for the new instruments in determining the expected credit loss. The Group has also considered other scenarios, these however are considered unlikely and have not had a significant impact on the expected credit loss computed as at September 30, 2018. As the new instruments have not been issued, the determination of the expected fair value is based on models and an internally developed yield curve. As a result, the actual fair value that the Group will record on exchange may be different to the expected credit loss recorded at December 31.

Accordingly, an expected credit loss has been recognized in the consolidated income statement as follows:

	GOB	GOB
	Exposure	Loss Allowances
	$000	$000
Balance as of December 31, 2018	1,368,794	874,754

53. 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 2018 and 2017.

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. 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 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 2018	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Deposit and security liability	124,919,846	28,202,173	14,592,481	13,386,940	-	181,101,440
Derivative financial instruments	-	23,804	7,660	-	-	31,464
Loans Payable	-	333,146	3,187,667	6,449,289	-	9,970,102
Other liabilities	13,358,948	400,124	200,445	105,062	445,545	14,510,124
Insurance contracts liabilities	871,382	2,643,078	16,343,016	60,104,556	-	79,962,032
Investment contracts liabilities	6,392,012	3,654,169	3,362,161	-	-	13,408,342
Other policy liabilities	1,041,311	3,211,363	-	-	-	4,252,674
Total undiscounted liabilities	146,583,499	38,467,857	37,693,430	80,045,847	445,545	303,236,178

	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 2017						
Deposit and security liabilities	131,421,574	19,983,750	16,416,320	2,237,193	-	170,058,837
Derivative financial instruments	198,587	51,589	27,834	-	-	278,010
Other liabilities	6,351,143	166,122	138,208	55,235	12,149,187	18,859,895
Insurance contracts liabilities	881,493	2,583,202	13,654,497	60,799,321	-	77,918,513
Investment contracts liabilities	7,491,896	1,953,628	4,412,517	-	-	13,858,041
Other policy liabilities	967,309	2,830,117	-	-	-	3,797,426
Total undiscounted liabilities	147,312,002	27,568,408	34,649,376	63,091,749	12,149,187	284,770,722

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

Off-balance sheet items

The tables below show the contractual expiry by maturity of commitments.

	The Group			
	No later than 1 year $'000	**1 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
At December 31, 2018				
Credit commitments	4,428,701	1,476,557	1,054,441	6,959,699
Guarantees, acceptances and other financial facilities	2,623,907	135,529	1,737,300	4,496,737
Operating lease commitments	521,657	706,949	653,546	1,882,152
Capital commitments	2,275,484	-	-	2,275,484
	9,849,749	2,319,035	2,791,741	15,614,072
At December 31, 2017				
Credit commitments	7,946,312	122,172	225,670	8,294,154
Guarantees, acceptances and other financial facilities	2,221,231	229,966	1,439,863	3,891,060
Operating lease commitments	445,930	443,094	-	889,024
Capital commitments	1,590,220	-	-	1,590,220
	12,203,693	795,232	1,665,533	14,664,458

Lease payments, including maintenance, for Group during the year were $446,057,000 (2017 – $518,004,000).

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					
	2018					
	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	11,552,916	-	-	-	-	11,552,916
Cash reserve at Bank of Jamaica	-	-	-	-	12,330,758	12,330,758
Financial investments & pledged assets	8,210,980	8,222,305	25,952,713	159,956,029	26,980,762	229,322,789
Derivative financial instruments	-	23,804	7,660	-	-	31,464
Loans and leases, after allowance for credit losses	13,511,899	9,881,054	31,698,116	14,193,523	-	69,284,592
Reinsurance contracts	-	765,651	-	-	-	765,651
Other assets	6,268,944	1,010,312	216,610	42,982	641,718	8,180,566
Non-financial assets:						
Investment properties	-	-	-	-	2,552,460	2,552,460
Investment in joint venture	-	-	-	-	330,804	330,804
Investment in associated companies	-	-	-	-	24,764,690	24,764,690
Intangible assets	-	-	-	6,651,581	-	6,651,581
Property, plant and equipment	-	-	-	-	19,000,411	19,000,411
Deferred income taxes	1,264,957	(122,344)	501,540	518,087	1,242,813	3,405,053
Taxation recoverable	3,256,419	-	-	-	-	3,256,419
Retirement benefit assets	-	-	-	183,351	-	183,351
Other assets	417,837	672,998	886,118	-	542,295	2,519,248
Total assets	44,483,952	20,453,780	59,262,757	181,545,553	88,386,711	394,132,753

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. 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 (continued).

	The Group					
	2018					
	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	123,593,437	26,481,479	13,538,008	1,320,576	-	164,933,500
Derivative financial instruments	-	23,804	7,660	-	-	31,464
Loans Payable	-	333,146	3,187,667	6,449,289	-	9,970,102
Other liabilities	13,401,627	400,124	77,802	105,062	445,545	14,430,160
Insurance contracts liabilities	871,382	2,643,078	16,343,016	60,104,556	-	79,962,032
Investment contracts liabilities	6,392,012	3,654,169	3,362,161	-	-	13,408,342
Other policy liabilities	1,041,311	3,211,363	-	-	-	4,252,674
Non-financial liabilities:						
Taxation payable	1,880,810	-	-	-	-	1,880,810
Deferred Income Taxes	-	-	-	-	412,486	412,486
Other liabilities	79,964	-	-	-	-	79,964
Retirement benefit obligations	-	-	-	-	3,076,400	3,076,400
Total liabilities	147,260,543	36,747,163	36,516,314	67,979,483	3,934,431	292,437,934
On statement of financial position interest sensitivity gap	(102,776,591)	(16,293,383)	22,746,443	113,566,070	84,452,280	101,694,819
Cumulative interest sensitivity gap	(102,776,591)	(119,069,974)	(96,323,531)	17,242,539	101,694,819	

	The Group					
	2017					
	Within 3 months	3-12 months	1-5 years	Over 5 years	No specific maturity	Total
	$000	$000	$000	$000	$000	$000
Total assets	55,752,738	12,126,953	39,589,984	197,535,329	47,031,516	352,036,520
Total liabilities	147,535,171	26,490,611	31,678,165	65,681,255	12,149,187	283,534,389
On statement of financial position interest sensitivity gap	(91,782,433)	(14,363,658)	7,911,819	131,854,074	34,882,329	68,502,131
Cumulative interest sensitivity gap	(91,782,433	(14,363,658)	(98,234,272)	33,619,802	68,502,131	

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	The Company					
	2018					
	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	296,597	-	-	-	-	296,597
Cash reserve at Bank of Jamaica	-	-	-	-	-	-
Financial investments & pledged assets	661,433	505,415	-	80,539	-	1,247,387
Other assets	-	-	-	-	-	-
Non-financial assets:	-	-	-	-	-	-
Investment in subsidiaries	-	-	-	-	69,138,739	69,138,739
Investment in associated companies	-	-	-	-	3,305,560	3,305,560
Investment in joint venture	-	-	-	-	414,267	414,267
Intangible assets	-	-	-	662,159	-	622,159
Property, plant and equipment	-	-	-	-	279,307	279,307
Deferred income taxes	-	-	88,670	-	-	88,670
Taxation recoverable	46,994	-	-	-	-	46,994
Other assets	77,545	422,360	-	-	118,600	618,505
Total assets	1,082,569	927,775	88,670	742,698	73,256,473	76,058,185
Liabilities						
Other liabilities	4,181,047	-	-	-	-	4,181,047
Promissory Notes	-	4,128,929	9,131,290	-	-	13,260,219
Non-financial liabilities:	-	-	-	-	-	-
Taxation payable	-	-	-	-	-	-
Total liabilities	4,181,047	4,128,929	9,131,290	-	-	17,441,266
On statement of financial position interest sensitivity gap	(3,098,478)	(3,201,154)	(9,042,620)	702,698	73,256,473	58,616,919
Cumulative interest sensitivity gap	(3,098,478)	(6,299,632)	(15,342,252)	(14,639,554)	58,616,919	

	The Company					
	2017					
	Within 3 months	3-12 months	1-5 years	Over 5 years	No specific maturity	Total
Assets	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Total assets	858,129	435,451	113,653	1,044,016	72,758,835	75,210,084
Total liabilities	3,834,966	13,763,583	-	-	-	57,611,535
On statement of financial position interest sensitivity gap	(2,976,837)	(13,328,132)	113,653	1,044,016	72,758,835	57,611,535
Cumulative interest sensitivity gap	(2,976,837)	(16,304,969)	(16,191,316)	(15,147,300)	57,611,535	

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.

53. Insurance and Financial Risk Management (Continued)

(f) Market risk

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Investment department which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

(i) Price risk

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

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

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

(ii) Currency risk

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

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

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

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

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

Concentrations of currency risk

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

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

(f) Market risk (continued)

(ii) Currency risk (continued)

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

	The Group			
	2018			
	Jamaican $	US$	Other	Total
	$'000	$'000	$'000	$'000
Financial assets				
Cash resources	4,742,819	5,660,884	1,149,213	11,552,916
Cash reserve at Bank of Jamaica	6,187,545	5,906,318	236,895	12,330,758
Financial investments and pledged assets	102,790,462	125,038,640	1,493,687	229,322,789
Derivative financial instruments	-	31,464	-	31,464
Loans & leases, after allowance for credit losses	50,927,489	18,357,103	-	69,284,592
Reinsurance contracts	408,384	357,267	-	765,651
Other assets	7,659,930	416,159	104,477	8,180,566
Non-financial assets:				
Investment properties	2,552,460	-	-	2,552,460
Investment in joint venture	-	330,804	-	330,804
Investment in associated companies	-	24,764,690	-	24,764,690
Intangible assets	5,980,719	670,862	-	6,651,581
Property, plant and equipment	3,848,542	15,151,869	-	19,000,411
Retirement benefit asset	183,351	-	-	183,351
Deferred income taxes	3,405,053	-	-	3,405,053
Taxation recoverable	3,256,419	-	-	3,256,419
Other assets	2,462,055	57,193	-	2,519,248
Total assets	194,405,228	196,743,253	2,984,272	394,132,753

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

Financial liabilities				
Deposit and security liabilities	72,135,911	90,627,673	2,169,916	164,933,500
Derivative financial instruments	-	31,464	-	31,464
Loans Payable	4,042,391	5,927,711	-	9,970,102
Other liabilities	13,735,122	671,768	23,270	14,430,160
Insurance contracts liabilities	46,812,853	29,965,413	3,183,766	79,962,032
Investment contracts liabilities	8,104,529	5,227,331	76,482	13,408,342
Other policy liabilities	3,321,550	268,142	662,982	4,252,674
Non-financial liabilities:				
Taxation payable	1,880,810	-	-	1,880,810
Deferred income taxes	-	412,486	-	412,486
Other Liabilities	79,964	-	-	79,964
Retirement benefit obligations	3,076,400	-	-	3,076,400
Total liabilities	153,189,530	133,131,988	6,116,416	292,437,934
Net on statement of financial position	41,215,698	63,611,265	(3,132,144)	101,694,819

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

53. Insurance and Financial Risk Management (Continued)

(f) Market risk (continued)

(ii) ***Currency risk (continued)***

Concentrations of currency risk (continued)

	The Group			
	2017			
	Jamaican $	US$	Other	Total
	$'000	$'000	$'000	$'000
Financial assets				
Cash resources	1,418,269	8,332,928	1,041,273	10,792,470
Cash reserve at Bank of Jamaica	4,079,663	3,984,390	185,480	8,249,533
Financial investments and pledged assets	82,669,604	142,928,443	1,167,989	226,766,036
Derivative financial instruments	-	174,575	-	174,575
Loans & leases, after allowance for credit losses	40,587,318	15,588,650	-	56,175,968
Reinsurance contracts	42,976	257,544	-	300,520
Other assets	11,309,996	849,042	92,512	12,251,550
Non-financial assets:				
Investment properties	488,000	-	-	488,000
Investment in joint venture	-	397,822	-	397,822
Investment in associated companies	6,115,829	-	-	6,115,829
Intangible assets	4,638,148	677,483	-	5,315,631
Property, plant and equipment	4,076,390	574,808	-	4,651,198
Deferred income taxes	4,538,842	-	-	4,538,842
Taxation recoverable	2,862,287	-	-	2,862,287
Other assets	1,856,960	17,611	-	1,874,571
Total assets	164,684,282	173,783,296	2,487,254	340,954,832
Financial liabilities				
Deposit and security liabilities	61,852,666	113,375,148	2,114,885	177,342,699
Derivative financial instruments	-	174,575	-	174,575
Other liabilities	11,890,746	890,785	49,841	12,831,372
Insurance contracts liabilities	38,748,460	27,298,130	2,662,749	68,709,339
Investment contracts liabilities	8,508,589	5,550,722	72,489	14,131,800
Other policy liabilities	2,622,465	425,893	500,447	3,548,805
Non-financial liabilities:				
Taxation payable	1,636,737	-	-	1,636,737
Retirement benefit obligations	6,168,523	-	-	6,168,523
Total liabilities	131,428,186	147,715,253	5,400,411	284,543,850
Net on statement of financial position	33,256,096	26,068,043	(2,913,157)	56,410,982

54. Sensitivity Analysis

Actuarial liabilities for the Group comprise 73.87% (2017 – 74.49%) 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:

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

(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.

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

54. 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 2018 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 2018 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 2018 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 2018 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 2018 and for the next five years.

(vi) Level new business. New business planned for 2018 was maintained for the 5 year period. Overall, this scenario has no effect on the liabilities in 2018 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 2018 liabilities, but will produce net lower liabilities over the next five years.

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 $79,962,032,000 for the Group at the year-end date.

		The Group	
Variable	**Change in Variable**	**2018 Change in Liability $'000**	**2017 Change in Liability $'000**
Worsening of mortality/morbidity	+3% for 5 yrs.	4,971,626	4,264,586
Improvement in annuitant mortality	-3% for 5 yrs.	1,177,480	1,064,161
Lowering of investment return	-0.5% for 10 yrs.	14,045,286	12,729,494
Worsening of base renewal expense and inflation rate	+5% for 5 yrs.	2,110,795	2,183,772
Worsening of lapse rate	x2 or x0.5	8,490,131	6,710,655
Higher interest rates	+0.5% for 10 yrs.	(14,749,425)	(13,835,097)

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

54. Sensitivity Analysis (Continued)

(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 2018 $'000
Financial assets at fair value through profit or loss and available for sale equity securities:		
Listed on Jamaica Stock Exchange	517,426	51,743
Listed on US stock exchanges	2,500,009	250,001
Other	21,093,750	2,109,375
	24,111,185	2,411,119

(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% (2017 – 15%) depreciation and a 1% (2017 – 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					
	2018			2017		
	Balances Denominated in other than JMD $'000	Effect of a 15% depreciation at 31 December 2018 $'000	Effect of a 1% appreciation at 31 December 2018 $'000	Balances denominated in other than JMD $'000	Effect of a 15% depreciation at 31 December 2017 $'000	Effect of a 1% appreciation at 31 December 2017 $'000
Statement of financial position:						
Assets	200,857,709	230,986,365	198,849,132	176,270,550	202,711,133	174,507,845
Liabilities	139,248,404	160,135,665	137,855,920	153,115,664	176,083,014	151,584,507
Net position	61,609,305	70,850,700	60,993,212	23,154,886	26,628,119	22,923,338
Income statement:						
Net income	-	7,855,186	(708,507)	-	4,126,372	(188,006)
Equity	-	1,386,209	92,414	-	520,985	34,732

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

54. 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			
	2016	**2017**	**2018**	**Total**
Gross	**$'000**	**$'000**	**$'000**	**$'000**
Estimate of ultimate claims incurred:				
At the end of the reporting year	8,251	48,503	10,050	66,804
One year later	4,531	24,788	-	29,319
Two years later	4,531	-	-	4,531
Current estimate of cumulative claims	4,531	24,788	10,050	39,369
Cumulative payments to date	(4,531)	(12,851)	-	(17,832)
Liability recognised in the statement of financial position	-	11,937	10,050	21,987
Liability in respect of prior years and ULAE				519
Total liability				22,506

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

Reinsurers' share	**2016**	**2017**	**2018**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Estimate of ultimate claims incurred:				
At the end of the reporting year	8,251	48,503	10,050	66,804
One year later	4,531	24,788	-	29,319
Two years later	4,531	-	-	4,531
Current estimate of cumulative claims	4,531	24,788	10,050	39,369
Cumulative payments to date	(4,531)	(12,851)	-	(17,382)
Recoverable recognised in the statement of financial position	-	11,937	10,050	21,987
Recoverable in respect of prior years				519
Total recoverable from reinsurers				22,506

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

54. Sensitivity Analysis (Continued)

(vi) Interest rate sensitivity

For Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited, the following tables indicate the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the income statements and stockholders' equity.

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

	Sagicor Investments Jamaica Limited			
	Effect on Net Profit 2018 $'000	**Effect on Equity 2018 $'000**	**Effect on Net Profit 2017 $'000**	**Effect on Equity 2017 $'000**
Change in percentage				
J$: -1%, US$: -0.5% (2017 – J$: -1%, US$: -0.5%)	600,415	3,038,467	366,236	2,291,864
J$: 1%, US$: 0.5% (2017 – J$: +2.5%, US$: +2%)	(594,036)	(2,787,333)	(408,429)	(2,115,747)

	Sagicor Bank Jamaica Limited			
	Effect on Net Profit 2018 $'000	**Effect on Equity 2018 $'000**	**Effect on Net Profit 2017 $'000**	**Effect on Equity 2017 $'000**
Change in percentage				
J$: -1%, US$: -0.5% (2017 – J$: -1%, US$: -0.5%)	681,863	351,167	695,723	361,211
J$: 1%, US$: 0.5% (2017 – J$: +2.5%, US$: +2%)	(681,863)	(331,566)	(694,762)	(337,254)

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

55. Capital Management

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

(i) To comply with capital requirements established by insurance, banking and other financial intermediary regulatory authorities;

(ii) To comply with internationally recognised capital requirements for insurance, where local regulations do not meet these international standards;

(iii) To safeguard its ability to meet future obligations to policyholders, depositors, note-holders and stockholders;

(iv) To provide adequate returns to stockholders by pricing insurance, investment and other contracts commensurately with the level of risk; and

(v) To maintain a strong capital base which are sufficient for the future development of the Group's operations.

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

	2018	2017
	$'000	$'000
Stockholders' equity	74,340,008	68,502,131
Non-controlling interest	27,354,811	-
Total statement of financial position capital resources	101,694,819	68,502,131

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 computed for regulated entities of the Group on a monthly basis and assessed by Management. These metrics are reported to Boards of Directors quarterly; and are filed with the Regulators in Jamaica monthly, in Cayman annually and in Costa Rica monthly.

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 2018 and 2017 is set out below.

	2018	2017
Sagicor Life Jamaica Limited	183.8%	186.0%

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

55. Capital Management (Continued)

(b) Sagicor Life of the Cayman Islands Ltd.

During 2014, the Cayman Islands Insurance (Capital and Solvency) (Class A Insurers) Regulations became effective. The minimum capital requirement (MCR) 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$13,799,000 (2017 - $16,216,000) and available capital when expressed as a percentage of prescribed capital, was 399.0% (2017 – 363.0%).

The MCR, based on the Cayman Island Regulations, is as follows.

	2018	2017
	399.0%	363.0%

The MCCSR, based on the Canadian Regulatory Standards, is as follows.

	2018	2017
	278.3%	236.0%

(c) Sagicor Bank Jamaica Limited and Sagicor Investments Jamaica Limited

The Bank's objectives in managing their capital are:

(i) To To comply with the capital requirements set by the Regulators of the financial market in Jamaica.

(ii) To provide adequate returns to shareholders commensurate with the level of risk undertaken and adequate benefits to staff and other stakeholders.

(iii) To safeguard the Banks' ability to meet its obligations to depositors, note-holders and other stakeholders.

(iv) To safeguard the Banks' ability to continue as solvent going concerns.

(v) To maintain an appropriate capital base to support the growth and development of its business.

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

55. Capital Management (Continued)

Capital adequacy, capital management ratios and the financial statements of the Banks are monitored monthly by management. These are reviewed quarterly by the Boards of Directors. Capital is managed based on prudent best practices and employing techniques and guidelines developed by the Financial Services Commission (FSC), the Bank of Jamaica (BOJ), Basel II and the Board of Directors Risk Management Committees. The required information is filed with the respective Regulatory Authorities at stipulated intervals.

The BOJ and the FSC require each regulated entity to:

(i) Hold the minimum level of the regulatory capital; and

(ii) Maintain a minimum ratio of total regulatory capital to the risk-weighted assets.

The regulatory capital is divided into two tiers:

(i) Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and

(ii) Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and revaluation on property, plant and equipment.

Any investment in subsidiaries is deducted from Tier 1 and Tier 2 capital to arrive at the regulated capital.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The capital risk ratios for Sagicor Bank Jamaica Limited and Sagicor Investments Jamaica Limited at the year-end were as follows:

	Sagicor Investments Jamaica Limited		Sagicor Bank Jamaica Limited	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Total regulatory capital	10,727,207	11,260,853	14,336,329	13,119,200
Total required capital	7,734,499	7,198,497	9,429,442	8,796,047
Actual capital base to risk	13.87%	15.64%	15.18%	14.91%
Required capital base to risk	10%	10%	10%	10%

55. Capital Management (Continued)

(i) During 2018 and 2017, both banking entities complied with all of the externally imposed capital requirements to which they are subject.

(ii) Derivative products
The Banks' derivative activities give rise to open positions in portfolios of derivatives. These positions are managed constantly to ensure that they remain within acceptable risk levels, with matching deals being utilised to achieve this where necessary. When entering into derivative transactions, the credit risk management procedures to assess and approve potential credit exposures are the same that are used for traditional lending.

56. 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 2018, these subsidiaries had financial assets under administration of approximately $366,937,285,000 (2017 - $327,782,183,000) as follows:

	The Group	
	2018	**2017**
	$'000	**$'000**
Sagicor Sigma Global Funds	130,902,485	115,864,519
Custody portfolio	29,144,051	24,685,082
Real Estate Investment Trust	531,252	473,836
Pooled Investment Funds	158,043,901	142,198,902
Self-directed pension funds	48,315,596	44,559,844
	366,937,285	327,782,183

57. 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, cannot be reasonably estimated or will result in exposure to the Group which is immaterial to both the financial position and results of operations.

Significant matters as follows:

(a) Suit has been filed by a customer against one of the Group's, subsidiaries for breach of contract, and breach of trust in the amount of US$8,928,500, being loss allegedly suffered as a result of what the claimants say is the unlawful withholding of insurance proceeds by the subsidiary. No provision was made in these financial statements for this claim as the matter has not been heard.

(b) Suit has been filed by an independent contractor against one of the Group's subsidiaries for breach of contract arising from alleged contractual agreement. The Claimant alleges that the company failed to pursue initiatives contemplated by the contract with a third party and that by not doing so, it caused the Claimant company significant losses which they have estimated at over US$300,000,000. No provision was made in these financial statements for this claim as the claim has been stayed to accommodate arbitration as required under the Agreement between the parties.

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

58. Litigation

On March 17, 2014 the Supreme Court of Jamaica granted judgement in favour of a claimant in a case brought against Sagicor Bank Jamaica Limited (formerly RBC Royal Bank Jamaica Limited).

This claim pre-dated the acquisition of the Bank by Sagicor Group Jamaica Limited, and also pre dated the acquisition of control of the Bank by RBTT from Finsac Limited ("Finsac") in 2001.

By virtue of the Share Sale Agreement entered into between Finsac, RBTT Financial Holdings Limited and RBTT International Limited, Finsac agreed to fully indemnify RBTT International Limited against any loss the bank may suffer in this matter. As the current owner of Sagicor Bank Jamaica Limited, Sagicor Group, is the current beneficiary of the Indemnity. The Indemnity from Finsac is further supported by a Government of Jamaica Guarantee on a full indemnity basis.

Sagicor appealed the Supreme Court decision and Judgment was delivered on July 31, 2018 which ruled that the award previously awarded to the Claimant be reduced with costs to the Claimant subject to an accounting exercise to determine the apportionment of costs between the parties. This reduced award took into account lower interest rates applying simple interest rather than compounding interest. The issue of costs remains to be determined by the courts following a subsequent application to amend the judgment which was delivered in January 2019.

The amount previously awarded to the Claimant has been recorded as payable to the claimant with accrued interest and correspondingly receivable from Finsac/Government of Jamaica.

59. Offsetting Financial Assets and Financial Liabilities

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

	The Group						
	2018						
					Related amounts not set off in the statement of financial position		
	Gross amounts of financial assets $'000	Gross amounts set off on the balance sheet $'000	Net amounts of financial assets presented on the balance sheet $'000	Impact of master netting agreements $'000	Cash collateral $'000	Financial instruments collateral $'000	Net amounts $'000
Assets							
Cash resources	25,857,219	-	25,857,219	-	(12,330,758)	-	13,526,461
Financial investments	298,938,328	-	298,938,328	-	-	(70,395,787)	228,542,541
Other assets	46,844,660	-	46,844,660	-	-	-	46,844,660
	371,640,208	-	371,640,208	-	(12,330,758)	(70,395,787)	288,913,662
	2017						
Assets							
Cash resources	21,298,501	-	21,298,501	-	(11,418,839)	-	9,879,662
Financial investments	285,425,767	-	285,425,767	(151,252,556)	-	(7,275,648)	126,897,563
Other assets	16,691,279	-	16,691,279	-	-	-	16,691,279
	323,415,547	-	323,415,547	(151,252,556)	(11,418,839)	(7,275,648)	153,468,504

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

59. Offsetting Financial Assets and Financial Liabilities (Continued)

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

	The Company						
	2018						
					Related amounts not set off in the statement of financial position		
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master netting agreements	Cash collateral	Financial instruments collateral	Net amounts
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Cash resources	296,597	-	296,597	-	-	-	296,597
Financial investments	1,247,387	-	1,247,387	-	-	-	1,247,387
Other assets	1,504	-	1,504	-	-	-	1,504
	1,545,488	-	1,545,488	-	-	-	1,545,488

	2017						
Assets							
Cash resources	200,061	-	200,061	-	-	-	200,061
Financial investments	792,918	-	792,918	-	-	(383,027)	409,891
Other assets	77,443	-	77,443	-	-	-	77,443
	1,070,422	-	1,070,422	-	-	(383,027)	687,395

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

59. Offsetting Financial Assets and Financial Liabilities (Continued)

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

	The Group						
	2018						
					Related amounts not set off in the statement of financial position		
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master netting agreements	Cash collateral	Financial instruments collateral	Net amounts
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Liabilities							
Due banks and other financial institutions	180,623,417	-	180,623,417	(57,704.556)	-	(15,139,610)	107,779,251
Derivative financial instruments	31,464	-	31,464	-	-	(31,464)	-
Other liabilities	6,124,615	-	6,124,615	-	-		6,124,615
	186,779,496	-	186,779,496	(57,704,556)	-	(15,171,074)	113,903,866

	2017						
Liabilities							
Due banks and other financial institutions	165,221,812	-	165,221,812	(148,377,510)	-	(5,000,329)	11,843,973
Derivative financial instruments	278,010	-	278,010	(278,010)	-	-	-
Other liabilities	18,859,895	-	18,859,895		-	-	18,859,895
	184,359,717	-	184,359,717	(148,655,520)	-	(5,000,329)	30,703,868

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

59. Offsetting Financial Assets and Financial Liabilities (Continued)

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

	The Company						
	2018						
					Related amounts not set off in the statement of financial position		
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master netting agreements	Cash collateral	Financial instruments collateral	Net amounts
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Liabilities							
Due banks and other financial institutions	13,260,219	-	13,260,219	-	-	-	13,260,219
Other liabilities	4,175,371	-	4,175,371	-	-	-	4,175,371
	17,435,590	-	17,435,590	-	-	-	17,435,590

	2017						
Liabilities							
Due banks and other financial institutions	13,763,583	-	13,763,583	-	-	-	13,763,583
Other liabilities	3,834,966	-	3,834,966	-	-	-	3,834,966
	17,598,549	-	17,598,549	-	-	-	17,598,549

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

60. Breach of Insurance Regulations – Related Party Balances

As at December 31, 2018, one of the Group's subsidiaries, Sagicor Life Jamaica Limited exceeded the regulated 5% maximum of related party balances to total assets of the company. Management is in discussions with the Regulator, Financial Services Commission, in relation to this matter. The regulatory has not imposed any penalty.

61. Non-Controlling Interest

During the year the Group acquired a 51% controlling interest in Travel Cash Jamaica Limited and took effective control of Sagicor Real Estate X Fund Limited and its subsidiaries. The non-controlling interests represent the share of net assets and net profit not attributed to Sagicor Group. The amounts were calculated as follows:

Non-controlling Interest – Equity

	Travel Cash **$'000**	X Funds **$'000**	Jamziv **$'000**	Total **$'000**
Total assets	608,481	46,310,600	24,764,702	
Total liabilities	(205,071)	(11,917,839)	-	
Minority Interest at Acquisition		(9,705,808)	-	
Net Asset	403,410	24,686,953	24,764,702	49,855,065
Share relating to entities other than the Sagicor Group	49%	70.69%	39.19%	
Non-controlling interest	197,671	17,451,335	9,705,805	27,354,811
Net profit for the period	11,239	(349,476)	(287,382)	(625,619)
Share relating to entities other than the Sagicor Group	49%	70.69%	39.19%	
Non-controlling interest	5,507	(247,046)	(112,625)	(354,164)

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

62. Changes in Accounting Policies

The changes in accounting policies outlined in note 2 (a) which have resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements summarised in the following tables.

Consolidated Statement of Financial Position

	December 31, 2017 as originally presented	Transition adjustment- IFRS 9	As at January 1, 2018
	$'000	$'000	$'000
ASSETS			
Cash resources	12,652,317	-	12,652,317
Cash reserve at Central Bank	11,418,839	-	11,418,839
Financial investments	142,108,057	(130,579)	141,977,478
Derivative financial instruments	278,010	-	278,010
Loans and leases, after allowance for credit losses	61,431,486	(348,555)	61,082,931
Pledged assets	81,608,214	-	81,608,214
Investment properties	530,000	-	530,000
Investment in joint venture	356,391	-	356,391
Investment in associated company	7,050,842	-	7,050,842
Intangible assets	5,127,730	-	5,127,730
Property, plant and equipment	5,063,646	-	5,063,646
Reinsurance contracts	465,546	-	465,546
Retirement benefit assets	517,261	-	517,261
Deferred income taxes	2,351,201	24,569	2,375,770
Taxation recoverable	2,332,710	-	2,332,710
Other assets	18,744,270	(5,235)	18,739,035
TOTAL ASSETS	**352,036,520**	**(459,800)**	**351,576,720**

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

62. Changes in Accounting Policies (Continued)

Consolidated Statement of Financial Position (continued)

	December 31, 2017 as originally presented	Transition adjustment- IFRS 9	As at January 1, 2018
	$'000	$'000	$'000
STOCKHOLDERS' EQUITY AND LIABILITIES:			
Stockholders' Equity Attributable			
Stockholders' of the Company			
Share capital	8,415,051	-	8,415,051
Equity reserves	7,522,083	(295,448)	7,226,635
Retained earnings	52,564,997	(96,104)	52,468,893
Total Equity	**68,502,131**	**(391,552)**	**68,110,579**
Liabilities			
Deposit and security liabilities	165,221,812	-	165,221,812
Derivative financial instruments	278,010	-	278,010
Taxation payable	148,160	-	148,160
Retirement benefit obligations	3,533,463	-	3,533,463
Other liabilities	18,859,895	-	18,859,895
Policyholders' Funds			
Insurance contracts liabilities	77,918,513	(68,248)	77,850,265
Investment contracts liabilities	13,777,110	-	13,777,110
Other policy liabilities	3,797,426	-	3,797,426
	95,493,049	(68,248)	95,424,801
Total Liabilities	283,534,389	(68,248)	283,466,141
TOTAL EQUITY AND LIABILITIES	352,036,520	(459,800)	351,576,720

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

62. Changes in Accounting Policies (Continued)

Consolidated Statement of Financial Position (continued)

	Retained earnings $'000
Balance as of December 31, 2017	52,564,997
Transition adjustments on adoption of IFRS 9 recorded directly to retained earnings:	
Reclassify investments from available-for-sale to FVTPL	409,010
Increase in provision for miscellaneous receivables and contract assets	(5,235)
Increase in provision for debt investments at amortised cost	(480,085)
Increase in provision for debt investments at FVOCI	(554,614)
Increase in deferred tax assets relating to impairment provisions	118,149
Other	348,423
Total transition adjustments recorded directly to retained earnings	(164,352)
Restated retained earnings as of January 1, 2018	**52,400,645**
Actuarial reserve impact recorded to income statement	68,248
Balance as of January 1, 2018	**52,468,893**

Company Statement of Financial Position

	December 31, 2017 as originally presented $'000	Transition adjustment-IFRS 9 $'000	As at January 1, 2018 $'000
ASSETS:			
Cash resources	200,061	-	200,061
Financial investments	792,918	(122)	
Investment in associated company	3,305,560	-	3,305,560
Investment in subsidiaries	68,748,739	-	68,748,739
Investment in joint venture	395,543	-	395,543
Intangible assets	808,583	-	808,583
Property, plant and equipment	308,993	-	-
Deferred income taxes	14,155	31	14,186
Taxation recoverable	164,123	-	164,123
Other assets	471,409	-	471,409
TOTAL ASSETS	75,210,084	(91)	75,209,993
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity Attributable			
Stockholders' of the Company			
Share capital	8,415,051	-	8,415,051
Equity reserves	28,142,284	5,159	28,147,443
Retained earnings	21,054,200	(5,250)	21,048,950
	57,611,535	(91)	57,611,444
Liabilities			
Promissory notes	13,763,583	-	13,763,583
Taxation payable	-	-	-
Other liabilities	3,834,966	-	3,834,966
Total Liabilities	17,598,549	-	17,598,549
TOTAL EQUITY AND LIABILITIES	75,210,084	(91)	75,209,993

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

62. Changes in Accounting Policies (Continued)

Company Statement of Financial Position (continued)

	Retained earnings $'000
Balance as of December 31, 2017	21,054,200
Transition adjustments on adoption of IFRS 9:	
Increase in provision for debt investments at amortised cost	(122)
Increase in provision for debt investments at FVOCI	(6,879)
Increase in deferred tax assets relating to impairment provisions	1,751
Total transition adjustments	(5,250)
Balance as of January 1, 2018	21,048,950

63. Acquisition of Subsidiary

Effective 1 December 2018, the group acquired 51% of the share capital of TravelCash Jamaica Limited.

The acquired business contributed post acquisition revenues of $17,021,000 and $11,239,000 for the year ended 31 December 2018.

Details of the net assets acquired, purchase consideration and goodwill, determined on a provisional basis, were as follows:

Net assets arising on the acquisition:	Fair Value $'000
Cash	-
Loans, net of provision for credit losses	392,564
Property, plant and equipment	606
Customer relationship	145,000
Brand	4,000
Due to banks and other financial institutions	(150,000)
Fair value of net assets acquired	392,170
Minority Interest (49%)	192,163
Purchase price	390,000
Goodwill	189,993

64. Step-Acquisition – Business Combination

Certain events took place on October 1, 2018 which deemed the Group to have taken effective control of Sagicor Real Estate X Fund Limited and its subsidiaries (Sagicor X Fund Group) with its 29.31% interest. As required by IFRS 10 – Consolidation of Financial Statements, the events triggered the accounting for Sagicor X Fund Group to be changed from an associate to a subsidiary, using Step-Acquisition for full consolidation.

Step 1 - The carrying value of the investment in Sagicor X Fund Group on the Group's balance sheet as at September 30, 2018 (deemed purchase consideration), was compared to the Group's share of the market value of Sagicor X Fund Group using the listed share price (deemed proceeds) along with recycling of accumulated unrealized foreign exchange gains in OCI of the Group relating to Sagicor X Fund Group as an associate. The accumulated unrealized fair value amount for revaluation of the owner-occupied property (OPP) of the associate in the Group's books was also transferred from OCI to retained earnings.

Step 2 – The Group then recorded the net identifiable assets and liabilities, at fair value, of Sagicor X Fund Group as a subsidiary and compared its share (new deemed proceeds) to the new carrying value of the investment in subsidiary (new deemed purchase consideration). The non-controlling interest amount was adjusted accordingly.

These transactions gave rise to a net gain on disposal of the associate of $1,521,065,000, an identifiable intangible asset of $329,000,000 and a goodwill amount of $1,213,913,000 on acquisition of the subsidiary in SGJ's books.

Computations for the two steps are set out below:

Step 1: Deemed disposal of associate:

Net realized gain on the step acquisition:	**$'000**
Fair value of SGJ's holding in Sagicor X Fund Group as at September 30, 2018	8,829,058
Carrying value of investment in X Fund as an Associate on Balance Sheet of SGJ as at September 30, 2018	(7,701,767)
	1,127,291
Recycle of accumulated unrealized gains from investment in Sagicor X Fund Group as an associate:	
Currency translation reserves	393,774
Total gain on deemed disposal of associate	1,521,065
Accumulated unrealised revaluation gain for the associate being transferred to retained earnings	725,621
Accumulated unrealised revaluation gain for the associate being transferred to policyholders' liability	202,411
	928,032

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

64. Step-Acquisition – Business Combination (Continued)

Step 2: Deemed acquisition of subsidiary:

Details of the net assets acquired, purchase consideration and goodwill, determined on a provisional basis, were as follows:

Net assets arising on the consolidation:		**Fair Value $'000**
Cash		2,076,418
Financial investments		1,286,023
Investment Property		2,113,735
Investment in associated entity		25,819,032
Property, plant and equipment		15,418,311
Intangible asset		15,436
Other assets		2,290,213
Franchise Relationship		329,000
Loan payable		(10,441,519)
Deferred tax liability		(418,121)
Other liabilities		(2,449,104)
Minority Interest		(10,119,005)
Fair value of net assets acquired		25,920,419
SGJ's Share of fair value of subsidiary being acquired	29.31%	7,597,145

	$'000
SGJ's Share of fair value of subsidiary being acquired	7,597,145
Deemed purchase consideration	8,829,058
Goodwill on step - acquisition of subsidiary	1,231,913

Sagicor Real Estate X-Fund Group contributed post acquisition revenues of $888,502,000 and net loss of $349,476,000 for the year ended 31 December 2018.

Sagicor Group Jamaica Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

65. Subsequent Events

(a) Subsequent to the year-end, SGJ established an investment company in the Cayman Islands, Sagicor Investments Ltd. This company is a wholly owned subsidiary of SGJ.

(b) Subsequent to the year-end, SGJ established an Exchange Traded Fund (ETF), Sagicor Select Funds Limited. It is the intention of the company to apply to the Board of the Jamaica Stock Exchange (JSE) for admission of the shares to trading on the main market if subscriptions of at least $5,000,000,000 are raised.

(c) Effective March 1, 2019 cash reserves and liquid asset ratios for Commercial Banks were reduced by the Bank of Jamaica (BOJ) as follows:

	New	Previous
Cash Reserve:		
Foreign currency liabilities	15%	15%
Jamaican dollar liabilities	9%	12%
Liquid Assets:		
Foreign currency liabilities	29%	29%
Jamaican dollar liabilities	23%	26%

(d) Dividend Declaration – On April 5, 2019, The Board of Directors declared an interim dividend of $0.79 per share with a record date of April 23, 2019 and a payment date of May 9, 2019.