GUARDIAN LIFE LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2015

(Expressed in Jamaican dollars unless otherwise indicated)

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Guardian Group
Guardian Life Limited

22 OPINION

Report of the Appointed Actuary

I have examined the financial condition and valued the policy benefit liabilities of Guardian Life Limited for its balance sheet as at 31 December 2015 and the corresponding change in the policy liabilities in the statement of operations for the year then ended. I meet the appropriate qualification standards and am familiar with the valuation and solvency requirements applicable to life insurance companies in Jamaica.

In my opinion:

(i) the method and procedures used in the verification of the valuation data are sufficient and reliable and fulfill acceptable standards of care;

(ii) the valuation of actuarial and other policy liabilities has been made in accordance with generally accepted actuarial practice with such changes as determined and directions made by the Financial Services Commission;

(iii) the valuation of actuarial and other policy liabilities has been made in accordance with the Caribbean Actuarial Association's Actuarial Standard of Practice APS2, the Prudential Supervision of Long-Term Insurance Business;

(iv) the methods and assumptions used to calculate the actuarial and other policy benefit liabilities are appropriate to the circumstances of the company and of the said policies and claims;

(v) the amount of the policy benefit liabilities represented in the balance sheet of Guardian Life Limited makes proper provision for the future payments under the company's policies and meet the requirements of the Insurance Act and other appropriate regulations of Jamaica;

(vi) a proper charge on account of these liabilities has been made in the statement of operations;

(vii) there is sufficient capital available to meet the solvency standards as established by the Financial Services Commission.

Catherine Allen		February 22, 2016
Name of Appointed Actuary	Signature of Appointed Actuary	Date

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Building a better working world

Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Guardian Life Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Guardian Life Limited and its subsidiaries ("the Group"), and Guardian Life Limited ("the Company") which comprise the consolidated and company statements of financial position as at 31 December 2015 and the consolidated and company statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of Guardian Life Limited (Continued)

Report on the Financial Statements (Continued)

Opinion

In our opinion, the financial statements give a true and fair view of the financial positions of the Group and the Company as at 31 December 2015, and of the Group's and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act.

Report on Additional Requirements of 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 maintained and the financial statements are in agreement with the accounting records, and give the information required by the Jamaican Companies Act in the manner so required.

Ernst & Young

Chartered Accountants
Kingston, Jamaica

23 March 2016

Guardian Life Limited

Consolidated Statement of Financial Position

As at 31 December 2015

(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2015 $'000	2014 $'000
Assets			
Property and equipment	5	2,064,185	2,021,305
Investment properties	6	1,032,437	705,081
Intangible assets	7	72,363	46,322
Taxation recoverable		1,734,897	2,093,679
Reinsurance assets	9	140,048	154,873
Financial assets	10	48,456,930	45,342,672
Loans and receivables	11	1,618,114	1,296,746
Asset held for sale	12	110,963	166,691
Assets of discontinued operations	13	-	555,033
Cash and cash equivalents	14	5,449,107	6,120,776
Total assets		60,679,044	58,503,178
Equity and liabilities			
Share capital	15	126,525	126,525
Stock option reserve	16	110,401	120,047
Reserves	17	2,002,649	1,343,516
Retained earnings		8,620,602	8,052,689
Equity attributable to owners of the parent		10,860,177	9,642,777
Liabilities			
Policyholders' Funds			
Insurance contracts	18	21,519,730	22,722,134
Investment contracts	19	25,098,382	23,103,997
Other policy liabilities	20	1,203,184	1,269,324
		47,821,296	47,095,455
Deferred tax liabilities	21	595,803	402,365
Provision for taxation		10,794	11,793
Other liabilities	22	1,390,974	795,755
Liabilities of discontinued operations	13	-	555,033
Total liabilities		49,818,867	48,860,401
Total equity and liabilities		60,679,044	58,503,178

The accompanying notes form an integral part of these financial statements.

Approved for issue by the Board of Directors on 22 February 2016 and signed on its behalf by:

David Henriques **Director** **Eric Hosin** **Director**

Guardian Life Limited
Consolidated Statement of Profit or Loss
Year ended 31 December 2015
(Expressed in Jamaican dollars unless otherwise indicated)

Continuing operations:	**Notes**	**2015 $'000**	**2014 $'000**
Insurance activities			
Insurance premium income	23(a)	9,316,921	8,652,742
Insurance premium ceded to reinsurers	23(b)	(343,625)	(295,535)
Net underwriting revenue		8,973,296	8,357,207
Policy acquisition expenses	24	(1,552,393)	(1,383,105)
Net insurance benefits and claims	25	(4,958,289)	(4,725,140)
Decrease/(Increase) in reserves for future policy benefits	9,18	1,187,994	(1,145,708)
Underwriting expenses		(5,322,688)	(7,253,953)
Net result from insurance activities		3,650,608	1,103,254
Investing activities			
Net investment income	26	3,684,915	4,135,921
Net realized gains on financial assets	27(a)	309,132	24,472
Net unrealized fair value gains on financial assets and investment properties	27(b)	1,899,984	259,392
Fee income	28	466,456	417,055
Other income	29	300,461	334,818
Investment contract benefits	19	(2,214,846)	(1,223,164)
Net income from investing activities		4,446,102	3,948,494
Net income from all activities		8,096,710	5,051,748
Operating expenses	30	(2,875,137)	(2,226,189)
Operating profit from continuing operations		5,221,573	2,825,559
Impairment of asset held for sale	12	(63,282)	-
Profit before taxation from continuing operations		5,158,291	2,825,559
Taxation	31	(614,306)	(239,928)
Profit after taxation from continuing operations		4,543,985	2,585,631
Discontinued operations:			
Net loss on discontinued operations	13	-	(26,181)
Gain on sale of discontinued operations	13	239,528	-
Profit attributable to equity holders of the parent		4,783,513	2,559,450

The accompanying notes form an integral part of these financial statements.

Guardian Life Limited

Consolidated Statement of Other Comprehensive Income

Year ended 31 December 2015

(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2015 $'000	2014 $'000
Profit attributable to equity holders of the parent		4,783,513	2,559,450
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	17	(31,675)	8,732
Exchange differences on translating discontinued operations		-	8,741
Net other comprehensive (loss)/income that may be reclassified subsequently to profit or loss		(31,675)	17,473
Items that will not be reclassified subsequently to profit or loss:			
Gains on property revaluation	31(c)	4,041	19,900
Loss on property revaluation – discontinued operations	31(c)	-	(6,259)
Deferred tax charge on revaluation gains	31(c)	(1,010)	(2,985)
Deferred tax on revaluation loss- discontinued operations	31(c)	-	109
Net other comprehensive income that will not be reclassified subsequently to profit or loss		3,031	10,765
Other comprehensive (loss)/income for the year, net of tax		(28,644)	28,238
Total comprehensive income for the year, net of tax		4,754,869	2,587,688
Total comprehensive income attributable to:			
- Equity holders of the parent		4,754,869	2,587,688

The accompanying notes form an integral part of these financial statements.

Guardian Life Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

(Expressed in Jamaican dollars unless otherwise indicated)

		The Group Attributable to Equity Holders of the Parent				
	Notes	Share Capital (Note 15)	Stock Option Reserve (Note 16)	Reserves (Note 17)	Retained Earnings	Total Equity
		$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2015		126,525	120,047	1,343,516	8,052,689	9,642,777
Profit for the year		-	-	-	4,783,513	4,783,513
Other comprehensive income		-	-	(28,644)		(28,644)
Total comprehensive income		-	-	(28,644)	4,783,513	4,754,869
Transfer to/(from) retained earnings		-	-	687,777	(687,777)	-
Share option scheme - lapses		-	(9,646)	-	9,646	-
Dividends	32	-	-	-	(3,537,469)	(3,537,469)
Balance at 31 December 2015		126,525	110,401	2,002,649	8,620,602	10,860,177

		The Group Attributable to Equity Holders of the Parent				
	Notes	Share Capital (Note 15)	Stock Option Reserve (Note 16)	Reserves (Note 17)	Retained Earnings	Total Equity
		$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2014		126,525	119,129	1,304,076	6,789,462	8,339,192
Profit for the year		-	-	-	2,559,450	2,559,450
Other comprehensive income		-	-	28,238	-	28,238
Total comprehensive income		-	-	28,238	2,559,450	2,587,688
Transfer to/(from) retained earnings		-	-	11,202	(11,202)	-
Share option scheme - value of services provided		-	918	-	-	918
Dividends	32	-	-	-	(1,285,021)	(1,285,021)
Balance at 31 December 2014		126,525	120,047	1,343,516	8,052,689	9,642,777

The accompanying notes form an integral part of these financial statements.

Guardian Life Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2015

(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2015 $'000	2014 $'000
Cash flows from operating activities			
Profit before taxation from continuing operations		5,158,291	2,825,559
Loss before taxation from discontinued operations		-	(26,181)
Gain on sale of discontinued operations	13	239,528	-
Investment income	26	(3,684,915)	(4,135,921)
Adjustment for non-cash items	33	(744,120)	(12,279)
Interest received		3,334,068	3,349,919
Dividends received		80,880	78,313
Operating profit before changes in operating assets/liabilities		4,383,732	2,079,410
Net (decrease)/increase in insurance contracts		(1,202,404)	1,150,368
Net decrease in reinsurance assets	9	14,825	583
Net increase in investment contracts		1,214,564	1,564,133
Net (increase)/decrease in loans and receivables		(312,779)	141,305
Net increase in other liabilities		529,076	370,939
Cash provided by operating activities		4,627,014	5,306,738
Net taxation paid		(457,114)	(633,645)
Net cash provided by operating activities		4,169,900	4,673,093
Cash flows from investing activities			
Purchase of financial assets		(2,861,717)	(3,624,247)
Proceeds from sale of financial assets		2,011,199	1,073,742
Purchase of investment properties	6	(316,509)	-
Purchase of property and equipment	5	(156,499)	(387,331)
Proceeds on sale of property and equipment		875	6,467
Purchase of intangible assets	7	(46,603)	(33,603)
Net cash used in investing activities		(1,369,254)	(2,964,972)
Cash flows from financing activity			
Dividends paid to equity holders of the parent	32	(3,537,469)	(1,285,021)
Net cash used in financing activity		(3,537,469)	(1,285,021)
Net (decrease)/increase in cash and cash equivalents		(736,823)	423,100
Effective of exchange rates changes on cash and cash equivalents		65,154	118,645
Transfer to assets of discontinued operations		-	(43,472)
Cash and cash equivalents at beginning of year		6,120,776	5,622,503
Cash and cash equivalents at end of year	14	5,449,107	6,120,776

The accompanying notes form an integral part of these financial statements.

Guardian Life Limited
Statement of Financial Position
As at 31 December 2015
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2015 $'000	2014 $'000
Assets			
Property and equipment	5	2,064,185	2,021,305
Investment properties	6	1,032,437	705,081
Intangible assets	7	72,363	46,322
Investment in subsidiary	8	20	20
Taxation recoverable		1,734,897	2,093,679
Reinsurance assets	9	140,048	154,873
Financial assets	10	48,456,930	45,342,672
Loans and receivables	11	1,618,114	1,296,746
Asset held for sale	12	99,962	99,962
Assets of discontinued operations	13	-	555,033
Cash and cash equivalents	14	5,449,107	6,120,776
Total assets		60,668,063	58,436,469
Equity and liabilities			
Share capital	15	126,525	126,525
Stock option reserve	16	110,401	120,047
Reserves	17	1,750,069	1,098,488
Retained earnings		8,862,203	8,231,008
Equity attributable to owners of the parent		10,849,198	9,576,068
Liabilities			
Policyholders' Funds			
Insurance contracts	18	21,519,730	22,722,134
Investment contracts	19	25,098,382	23,103,997
Other policy liabilities	20	1,203,184	1,269,324
		47,821,296	47,095,455
Deferred tax liabilities	21	595,803	402,365
Provision for taxation		10,792	11,793
Other liabilities	22	1,390,974	795,755
Liabilities related to discontinued operations	13	-	555,033
Total liabilities		49,818,865	48,860,401
Total equity and liabilities		60,668,063	58,436,469

The accompanying notes form an integral part of these financial statements.

Approved for issue by the Board of Directors on 22 February 2016 and signed on its behalf by:

David Henriques **Director**

Eric Hosin **Director**

Guardian Life Limited
Statement of Profit or Loss
Year ended 31 December 2015
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2015 $'000	2014 $'000
Continuing operations:			
Insurance activities			
Insurance premium income	23(a)	9,316,921	8,652,742
Insurance premium ceded to reinsurers	23(b)	(343,625)	(295,535)
Net underwriting revenue		8,973,296	8,357,207
Policy acquisition expenses	24	(1,552,393)	(1,383,105)
Net insurance benefits and claims	25	(4,958,289)	(4,725,140)
Decrease/(Increase) in reserves for future policy benefits	9,18	1,187,994	(1,145,708)
Underwriting expenses		(5,322,688)	(7,253,953)
Net result from insurance activities		3,650,608	1,103,254
Investing activities			
Net investment income	26	3,684,915	4,135,921
Net realized gains on financial assets	27(a)	309,132	24,472
Net unrealized fair value gains on financial assets and investment properties	27(b)	1,899,984	259,392
Fee income	28	466,456	417,055
Other income	29	300,461	334,818
Investment contract benefits	19	(2,214,846)	(1,223,164)
Net income from investing activities		4,446,102	3,948,494
Net income from all activities		8,096,710	5,051,748
Operating expenses	30	(2,875,137)	(2,226,189)
Profit before taxation from continuing operations		5,221,573	2,825,559
Taxation	31	(614,306)	(239,928)
Profit after taxation from continuing operations		4,607,267	2,585,631
Discontinued operations:			
Net loss on discontinued operations	13	-	(26,181)
Gain on sale of discontinued operations	13	239,528	-
Profit attributable to equity holders of the parent		4,846,795	2,559,450

The accompanying notes form an integral part of these financial statements.

Guardian Life Limited

Statement of Other Comprehensive Income

Year ended 31 December 2015

(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2015 $'000	2014 $'000
Profit attributable to equity holders of the parent		4,846,795	2,559,450
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	17	(39,227)	2,855
Exchange differences on translating discontinued operations		-	8,741
Net other comprehensive (loss)/ income that may be reclassified subsequently to profit or loss		(39,227)	11,596
Items that will not be reclassified subsequently to profit or loss:			
Gains on property revaluation	31 (c)	4,041	19,900
Loss on property revaluation – discontinued operation	31 (c)	-	(6,259)
Deferred tax charge on revaluation gains	31(c)	(1,010)	(2,985)
Deferred tax on revaluation loss- discontinued operation	31(c)	-	109
Net other comprehensive income that will not be reclassified subsequently to profit or loss		3,031	10,765
Other comprehensive (loss)/income for the year, net of tax		(36,196)	22,361
Total comprehensive income for the year, net of tax		4,810,599	2,581,811
Total comprehensive income attributable to:			
- Equity holders of the parent		4,810,599	2,581,811

The accompanying notes form an integral part of these financial statements.

Guardian Life Limited

Statement of Changes in Equity

Year ended 31 December 2015

(Expressed in Jamaican dollars unless otherwise indicated)

		The Company				
		Attributable to Equity Holders of the Parent				
	Notes	**Share Capital (Note 15)**	**Stock Option Reserve (Note 16)**	**Reserves (Note 17)**	**Retained Earnings**	**Total Equity**
		$'000	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 January 2015		126,525	120,047	1,098,488	8,231,008	9,576,068
Profit for the year		-	-	-	4,846,795	4,846,795
Other comprehensive income		-	-	(36,196)	-	(36,196)
Total comprehensive income		-	-	(36,196)	4,846,795	4,810,599
Transfer to/(from) retained earnings		-	-	687,777	(687,777)	-
Share option scheme – lapses		-	(9,646)	-	9,646	-
Dividends	32	-	-	-	(3,537,469)	(3,537,469)
Balance at 31 December 2015		126,525	110,401	1,750,069	8,862,203	10,849,198

		The Company				
		Attributable to Equity Holders of the Parent				
	Notes	**Share Capital (Note15)**	**Stock Option Reserve (Note 16)**	**Reserves (Note 17)**	**Retained Earnings**	**Total Equity**
		$'000	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 January 2014		126,525	119,129	1,064,925	6,967,781	8,278,360
Profit for the year		-	-	-	2,559,450	2,559,450
Other comprehensive income		-	-	22,361	-	22,361
Total comprehensive income		-	-	22,361	2,559,450	2,581,811
Transfer to/(from) retained earnings		-	-	11,202	(11,202)	-
Share option scheme - value of services provided		-	918	-	-	918
Dividends	32	-	-	-	(1,285,021)	(1,285,021)
Balance at 31 December 2014		126,525	120,047	1,098,488	8,231,008	9,576,068

The accompanying notes form an integral part of these financial statements.

Guardian Life Limited
Statement of Cash Flows
Year ended 31 December 2015
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2015 $'000	2014 $'000
Cash flows from operating activities			
Profit before taxation from continuing operations		5,221,573	2,825,559
Loss before taxation from discontinued operations		-	(26,181)
Gain on sale of discontinued operations	13	239,528	-
Investment income	26	(3,684,915)	(4,135,921)
Adjustment for non-cash items	33	(807,402)	(12,279)
Interest received		3,334,068	3,349,919
Dividends received		80,880	78,313
Operating profit before changes in operating assets/liabilities		4,383,732	2,079,410
Net (decrease)/increase in insurance contracts		(1,202,404)	1,150,368
Net decrease in reinsurance assets		14,825	583
Net increase in investment contracts		1,214,564	1,564,133
Net (increase)/decrease in loans and receivables		(312,779)	149,308
Net increase in other operating liabilities		529,076	370,939
Cash provided by operating activities		4,627,014	5,314,741
Net taxation paid		(457,114)	(633,645)
Net cash provided by operating activities		4,169,900	4,681,096
Cash flows from investing activities			
Purchase of financial assets		(2,861,717)	(3,624,247)
Proceeds from sale of financial assets		2,011,199	1,073,742
Purchase of investment properties	6	(316,509)	-
Purchase of property and equipment	5	(156,499)	(387,331)
Proceeds on sale of property and equipment		875	6,467
Purchase of intangible assets	7	(46,603)	(33,603)
Net cash used in investing activities		(1,369,254)	(2,964,972)
Cash flows from financing activity			
Dividends paid to equity holders of the parent	32	(3,537,469)	(1,285,021)
Net cash used in financing activity		(3,537,469)	(1,285,021)
Net (decrease)/increase in cash and cash equivalents		(736,823)	431,103
Transfer to assets of discontinued operations		-	(43,472)
Effect of exchange rate changes on cash and cash equivalents		65,154	118,645
Cash and cash equivalents at beginning of year		6,120,776	5,614,500
Cash and cash equivalents at end of year	14	5,449,107	6,120,776

The accompanying notes form an integral part of these financial statements.

Guardian Life Limited
Notes to the Financial Statements
31 December 2015
(Expressed in Jamaican dollars unless otherwise indicated)

1 Incorporation and Principal Activities

Guardian Life Limited ("the Company") was incorporated in Jamaica on 7 July 1999 and operates under the provisions of the Insurance Act 2001. The main activities of the Company are the provision of ordinary life insurance, group life and health insurance and group pension administration. The Company is domiciled in Jamaica and its registered office is located at 12 Trafalgar Road, Kingston 5, Jamaica. The Company also services a small, closed Barbados portfolio.

The Company is a wholly-owned subsidiary of Guardian Insurance Limited, which is a wholly-owned subsidiary of Guardian Holdings Limited, the ultimate parent, both of which are incorporated in the Republic of Trinidad and Tobago.

The Company's subsidiary and its associated company, which together with the Company are referred to as "the Group", are as follows:

Subsidiary	**Principal Activity**	**Percentage Ownership**	
		2015	**2014**
Guardian Life Properties Limited	Property Management	100	100
Associated Company (Asset Held for Sale)	**Principal Activity**	**Percentage Ownership**	
		2015	**2014**
Ocho Rios Beach Limited	Hospitality Industry	24	24

The Company's subsidiary and its associated company are incorporated and domiciled in Jamaica.

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and the requirements of the Jamaican Companies Act. They have been prepared on an historical cost basis except for investment properties, freehold and leasehold properties classified as property and equipment, financial assets and asset held for sale that are carried at fair value.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Guardian Life Limited

2 Summary of Significant Accounting Policies (Continued)

(b) Consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiary and its associated company.

(i) Subsidiary

A subsidiary is an entity over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns,

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts whether it has power over an investee, including:

- the contractual arrangement with the other vote-holders of the investee
- rights arising from other contractual arrangements
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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

All intra-group transactions and balances are eliminated on consolidation. The subsidiary's accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

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2 Summary of Significant Accounting Policies (Continued)

(b) Consolidation (continued)

(i) Subsidiary (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary
- derecognises the carrying amount of any non-controlling interests
- derecognises the cumulative translation differences recorded in equity
- recognises the fair value of the consideration received
- recognises the fair value of any investment retained
- recognises any surplus or deficit in profit or loss
- reclassifies the parent’s share of components previously recognised in other comprehensive income, taken to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(ii) Associated Company

The Group’s investment in its associated company is accounted for using the equity method of accounting. An associate is any entity over which the Group has significant influence and which is neither a subsidiary or nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Under the equity method, the investment in associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortized.

The Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at each statement of financial position date, whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the statement of profit or loss.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or when the investment is classified as held for sale (see Note 12).

(iii) Non-current Asset Held for Sale

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management is committed to the disposal of this asset in 2016.

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2 Summary of Significant Accounting Policies (Continued)

(c) New standards and amendments/revisions to published standards and interpretations effective in 2015

The following amendments to published standards are mandatory for the Group’s accounting periods beginning on or after 1 January 2015:

Annual improvements to IFRSs 2010 – 2012 Cycle – Effective 1 July 2014

IFRS 2 Share-based Payment - Definitions of vesting conditions
The amendment defines ‘performance condition’ and ‘service condition’ to clarify various issues, including the following:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

The amendment is applicable for share-based payments for which the grant date is on or after 1 July 2014 and must be applied prospectively.

The amendments have no impact on the Group’s financial position or performance.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Revaluation method – proportionate restatement of accumulated depreciation/amortization
The amendments to IAS 16 and IAS 38 clarify that the revaluation can be performed, as follows:

- Adjust the gross carrying amount of the asset to market value or determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value.
- The amendments also clarify that accumulated depreciation/amortisation is the difference between the gross and carrying amounts of the asset.
- The amendments must be applied retrospectively.

The amendments have no impact on the Group’s financial position or performance.

IAS 24 Related Party Disclosures – Key management personnel

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the income received and expenses incurred for management services.

The amendment was applied retrospectively and is appropriately disclosed in the notes to the financial statements. This information is disclosed in Note 34.

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2 Summary of Significant Accounting Policies (Continued)

(c) New standards and amendments/revisions to published standards and interpretations effective in 2015 (continued)

Annual improvements to IFRSs 2011 – 2013 Cycle – Effective 1 July 2014

IAS 40 Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

- The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment clarifies that IFRS 3, not the description of ancillary services in IAS 40, is used to determine whether the transaction is the purchase of an asset or business combination.
- The amendment must be applied prospectively.

The amendments have no impact on the Group's financial position or performance.

(d) New standards and amendments/revisions to published standards and interpretations effective in 2015 but not applicable to the Group

The following amendments and annual improvements that have been issued do not apply to the activities of the Group:

- IAS 19 Defined Benefit Plans: Employee Contributions — Amendments to IAS 19 – Effective 1 July 2014

Annual improvements to IFRSs 2010 – 2012 Cycle – Effective 1 July 2014

- IFRS 3 Business Combinations - Accounting for contingent consideration in a business combination
- IFRS 8 Operating Segments - Aggregation of operating segments and Reconciliation of the total of the reportable segments' assets to the entity's assets

Annual improvements to IFRSs 2011 – 2013 Cycle – Effective 1 July 2014

- IFRS 3 Business Combinations - Scope exceptions for joint ventures
- IFRS 13 Fair Value Measurement - Scope of paragraph 52 (portfolio exception)

(e) New standards and revised or amended standards that are not yet effective and have not been early adopted by the Group:

The Group has not early adopted any new or revised IFRSs or IFRICs that have been issued but not yet effective. The following have been issued, the impact of which is currently being assessed by management. The Group intends to adopt these standards, if applicable, when they become effective.

2 Summary of Significant Accounting Policies (Continued)

(e) New standards and revised or amended standards that are not yet effective and have not been early adopted by the Group (continued)

Amendments to IAS 1 *Disclosure Initiative*
The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:
- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*
The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply.

The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

2 Summary of Significant Accounting Policies (Continued)

(e) New standards and revised or amended standards that are not yet effective and have not been early adopted by the Group (continued)

Amendments to IAS 27: *Equity Method in Separate Financial Statements*
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's financial statements.

IFRS 9 *Financial Instruments*
In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date

(i) Classification and measurement
The Group does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Debt securities are expected to be measured at fair value through OCI under IFRS 9 as the Group expects not only to hold the assets to collect contractual cash flows but also to sell a significant amount on a relatively frequent basis.

(ii) Impairment
IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and receivables, either on a 12-month or lifetime basis.

(iii) Hedge accounting
This amendment would not apply as the Group does not apply hedge accounting.

Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

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2 Summary of Significant Accounting Policies (Continued)

(e) New standards and revised or amended standards that are not yet effective and have not been early adopted by the Group (continued)

Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*
The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are not expected to have any impact on the Group.

Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests*
The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

IFRS 14 *Regulatory Deferral Accounts*
IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

IFRS 15 *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

2 Summary of Significant Accounting Policies (Continued)

(e) New standards and revised or amended standards that are not yet effective and have not been early adopted by the Group (continued)

Annual Improvements *2012-2014 Cycle*
These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 *Financial Instruments: Disclosures*

(i) Servicing contracts
The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements
Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IAS 19 *Employee Benefits*
The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 *Interim Financial Reporting*
The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. These amendments are not expected to have any impact on the Group.

(f) Foreign currency translation

Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Jamaican dollars, which is the Group's functional and presentation currency.

Transactions and balances in the financial statements
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

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2 Summary of Significant Accounting Policies (Continued)

(f) Foreign currency translation (continued)

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

Foreign operations

The statement of profit or loss of foreign operations and Group companies with functional currencies other than Jamaican dollars is translated into Jamaican dollars at average exchange rates for the year and the statement of financial position is translated at the exchange rates ruling at year-end. The resulting translation differences are recorded directly in the currency translation reserve in the statement of other comprehensive income. When a foreign operation is sold, the cumulative translation differences are recognized in the statement of profit or loss as part of the gain or loss on sale.

(g) Property and equipment

Freehold and leasehold properties are shown at fair value, based on periodic, but at least triennial, valuations by external independent appraisers, less subsequent depreciation for buildings. Other items of property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

A revaluation surplus is recorded in the statement of other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in asset revaluation reserve.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Freehold property	2% per annum
Leasehold property	over the period of the lease
Office furniture and equipment	10% per annum
Computer equipment	10-33 1/3% per annum
Motor vehicles	20% per annum

Land is not depreciated.

Gains and losses arising on the disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

An asset's carrying amount is written down immediately to the net realizable value where the carrying amount is greater.

2 Summary of Significant Accounting Policies (Continued)

(g) Property and equipment (continued)

Repair and maintenance expenditure is charged to the statement of profit or loss. Improvement expenditure is included in the cost of the related asset.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(h) Investment properties

Investment properties are held for long-term rental yields and are not occupied by the Group. Investment properties are measured initially at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, representing open market value determined annually by professional external valuators. Changes in fair values are recorded in the statement of profit or loss. Investment properties are not subject to depreciation.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of profit or loss in the period of derecognition.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

(i) Intangible assets

Computer software and website development costs

Acquired computer software licences and website development costs are recognised on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are also recognised as intangible assets. These costs are amortized over their estimated useful lives which range between 3 and 5 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

(j) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization 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 carrying amount of the asset exceeds its recoverable amount, which is the greater of an asset’s fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash flows.

2 Summary of Significant Accounting Policies (Continued)

(k) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. All related transaction costs for financial assets recognised at fair value through profit of loss are expensed.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the settlement date.

The Group's financial assets include cash and short-term deposits, debt securities, equity securities, interest receivable, receivables arising from insurance contracts and reinsurance contracts and other loans and receivables.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated as fair value through profit or loss at inception by management. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The entire portfolio of financial assets at fair value through profit or loss was so designated by management. For investments designated as at fair value through profit or loss, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognised gains or losses on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value. Fair value adjustments and recognised gain and loss are recognised in the statement of profit or loss.

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. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, held to maturity financial assets are measured at amortized cost, using the effective interest rate, less impairment. Gains and losses are recognised in the statement of profit or loss when the investments are derecognised or impaired, as well as through the amortization process. Where the Group is required to sell other than an insignificant amount of held-to-maturity assets, the entire category would be compromised and reclassified as available-for-sale.

2 Summary of Significant Accounting Policies (Continued)

(k) Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated as at fair value through profit or loss. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortized cost, using the effective interest rate. Receivables arising from insurance contracts (for example policyholders' loans) are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

Fair value of financial assets

The fair values of quoted investments (primarily equity securities) are based on current bid prices at the statement of financial position date. If the market for a financial asset is not active (primarily government securities, debentures and corporate bonds), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2 Summary of Significant Accounting Policies (Continued)

(k) Financial assets (continued)

Impairment of financial assets (continued)

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the loss is recognised in the statement of profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each statement of financial position date.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

(l) Fair value measurement

The Group measures financial instruments and non-financial assets at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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2 Summary of Significant Accounting Policies (Continued)

(l) Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(i) Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities. Financial assets in this category are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(II) Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Financial assets are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions, and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in mutual funds with published net asset values and evidence of trades and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

(iii) Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.
Assets and liabilities included in level 3 are held at cost, being the fair value of the consideration paid on acquisition and are regularly assessed for impairment. These financial assets are not quoted as there are no active markets to determine a price. The main asset class in this category is unlisted equity instruments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuators are involved for valuation of certain assets such as investment properties, freehold and leasehold properties and properties for development and sale. Involvement of external valuators is decided upon annually and selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

(m) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the consolidated and company statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances, deposits held at call with banks and other short-term, highly liquid investments with original maturities of 90 days or less from the acquisition date.

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2 Summary of Significant Accounting Policies (Continued)

(n) Special investment reserve

The special investment reserve is a regulatory reserve established to manage the extent to which unrealized gains recognised in the statement of profit or loss are available for distribution. Consistent with the regulatory requirements, the unrealized gains on investment properties and quoted equities classified as fair value through profit or loss are transferred to and from this reserve as follows:

Net unrealized gains brought forward at the beginning of each year are transferred from the special investment reserve to retained earnings at the following rates:

Quoted Equities - 25%
Investment Properties - 10%

Net unrealized gains earned during the year are transferred from retained earnings to the special investment reserve at the following rates:

Quoted Equities - 75%
Investment Properties - 90%

(o) Insurance and investment contracts

(i) Classification

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Financial risk includes credit, liquidity and market risks.

A number of insurance contracts (participating policies) contain a discretionary participation feature (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- the amount or timing of which is contractually at the discretion of the Group; and
- that are contractually based on the performance of a specified pool of contracts or a specified type of contract, realized and/or unrealized investment returns on a specified pool of assets held by the Group or the profit or loss of the Group, fund or other entity that issues the contract.

The terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based and within which the Group may exercise its discretion as to the quantum and timing of their payment to contract holders.

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2 Summary of Significant Accounting Policies (Continued)

(o) Insurance and investment contracts (continued)

(ii) Recognition and measurement

Insurance and investment contracts are classified into four main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

1) Short-term insurance contracts
These contracts are principally group life and health insurance contracts.

Group life contracts protect the group's members from the consequences of events, such as critical illness or disability, that would affect the ability of the insured to maintain his/her current level of income and minimizes the impact of death on the financial security of the insured's dependents.

Health insurance contracts provide for preventative medical treatment, treatment for unexpected medical conditions and drugs. On these contracts, the benefits paid on occurrence of the specified insured event are either fixed or linked to the extent of the economic loss suffered by the policyholder. The Group's liability is limited to the extent of the lifetime maximum on each contract. There are no maturity or surrender benefits.

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Premiums received in advance represent the portion of premiums written in the current year which relate to periods of insurance subsequent to the statement of financial position date.

Claims and loss adjustment expenses are charged to the statement of profit or loss as incurred based on the estimated liability for compensation owed to policyholders. They arise from events that have occurred up to the statement of financial position date even if they have not yet been reported to the Group. Liabilities for unpaid claims are estimated using techniques such as the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported.

Claims payable represent the gross cost of all claims notified but not settled on the statement of financial position date.

2) Long-term insurance contracts with fixed and guaranteed terms and without DPF
Annuities, traditional life, unit-linked and interest sensitive contracts
These contracts insure events associated with human life (for example survival, or death) over a long duration. The premiums paid for these contracts contain an element that covers the insured event and may include another element which is used to accumulate cash values available for withdrawal at the option of the policyholder.

Premiums covering insurance risks are recognised as revenue when they become payable by the policyholder and are shown before deduction of commission. Benefits are recorded as an expense when they are incurred.

2 Summary of Significant Accounting Policies (Continued)

(o) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

2) Long-term insurance contracts with fixed and guaranteed terms and without DPF (continued)

A liability for policyholders' benefits that are expected to be incurred in the future is established on acceptance of the insurance risk. The liability is actuarially determined using the Policy Premium method as required under the Insurance Act 2001. Under this method, allowance is made for the present value of estimated amounts for future claims and benefits, projected net investment income on assets supporting policyholders' liabilities; future expected premiums and projected policy maintenance expenses. The liability is also based on key assumptions made with respect to variables such as mortality, persistency, investment returns and the rate of inflation. A margin for adverse deviations is included in the assumptions.

An actuarial valuation is prepared at least annually. Changes in the policyholders' liability are recorded as an expense in the statement of profit or loss.

Unit linked insurance contracts
Unit-linked funds represent funds maintained to meet specific investment objectives of policyholders who bear the investment risk. The returns earned by the investments of the funds, inclusive of realized and unrealized gains and losses accrued directly to the policyholders.

For the unit linked contracts, the portion of the premium covering the insured risk is recorded as premium income. The portion of the premium which accumulates a cash value for the policyholder is unbundled and recorded as a liability and credited to the account of the policyholder in the respective unit-linked fund to which the contract is linked.

The liabilities arising from the unit linked contracts comprise the liability for the insured risk and the accumulated cash value. The liability for the insurance risk is determined in a manner identical to the liability for contracts with fixed and guaranteed terms and is included in the policyholders' liability balance while the liability for the accumulated cash value is carried at fair value and is determined by reference to the fair value of the assets which fund the liabilities. The liabilities for the accumulated cash values are included in the unit-linked funds' liability balance (See Note 18). All risks and rewards accrue to the policy-holders who are invested in the unit-linked funds.

Interest sensitive contracts
For the interest sensitive policies, the entire premium is recorded as premium income and there is no unbundling of the premium receipt between the insurance and investment components. The liability for the interest sensitive policies is determined as the sum of the liability for the insured risk as determined above for the unit linked policies and the liability for the accumulated cash values. These cash values earn interest and the interest credited to the account of the respective policies is charged as an expense in the statement of profit or loss. The entire liability for the interest sensitive policies is recorded in policyholders' liability.

2 Summary of Significant Accounting Policies (Continued)

(o) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

3) Long-term insurance contracts with fixed and guaranteed terms and with DPF
Contracts participating in company profits (Par Contracts/Contracts with DPF)
In addition to death or life benefits, these contracts entitle the holders to a bonus or dividend declared by the Company from time to time. Any bonus declared and not credited to individual contract holders is treated as a liability for the benefit of all contract holders until credited to them individually in future periods.

The discretionary elements of the benefits payable under these policies, as well as the guaranteed elements are treated as liabilities and any changes in the total benefits due are reflected as charges in the statement of profit or loss and form part of increases in reserves for future benefits of policyholders.

4) Investment contracts
The Company issues investment contracts to groups of employers through the approved deposit administration fund. The Company also manages unit-linked funds that are also not legally separated from the general operations. The underlying assets of these funds are included in these financial statements on a line by line basis.

Deposit administration funds
Deposit administration funds represent liabilities under investment contracts issued by the Company to approved schemes, for the provision of pension benefits to their employees. The assets backing these liabilities are managed by the Company but are not legally separated from the Company's general operations. The assets and liabilities of these funds are included in these financial statements.

The returns on these funds are guaranteed by the Group by stated rates of interest which are revised at least annually. Liabilities under deposit administration fund contracts are carried at amortized cost.

The Company earns administration and investment fees on the management of these funds and incurs interest expense on the funds. Management and investment fees and interest expense are recorded in the statement of profit or loss.

Unit-linked funds
The asset and liabilities are carried at fair values. Deposits and withdrawals are charged or are credited to the unit-linked fund liabilities. Unit values are determined by dividing the value of the assets in the funds on a valuation date by the number of units in the funds on the valuation date.

The Group earns fees for the management of the funds' assets, policy administration, as well as for effecting the encashment of units.

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2 Summary of Significant Accounting Policies (Continued)

(o) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

5) Liability adequacy test
At each statement of financial position date, the Group assesses whether its recognized insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate, the deficiency is recognised in the statement of profit or loss and the amount of the relevant insurance liabilities is increased.

6) Claims payable
Provision for claims and the related costs of settlement are based on incidents reported before the end of the financial year. Any reinsurance recoverable is shown as a receivable from the re-insurer.

7) Policy acquisition costs
Under the Policy Premium Method of actuarial valuation, the cost of acquiring new insurance business, consisting primarily of commissions and underwriting expenses is implicitly recognised as a reduction in actuarial liabilities.

8) Derivatives embedded in insurance contracts
The Group does not separately measure embedded derivatives that meet the definition of an insurance contract or options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate) as they (the options) are insurance contracts and are closely related to the host insurance contract.

9) 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.

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, as well longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to re-insurers 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. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of profit or loss.

2 Summary of Significant Accounting Policies (Continued)

(o) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

10) Reinsurance contracts held (continued)

The Group gathers objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the reinsurance receivable that can be reliably estimated. Objective evidence that a reinsurance asset is impaired includes:

(i) Significant financial difficulty of the reinsurer;
(ii) A breach of contract, such as a default or delinquency in payments;
(iii) It becoming probable that the reinsurer will enter bankruptcy or other financial organization; and
(iv) Deterioration of the rating of the reinsurer.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

11) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of profit or loss.

(p) Taxation

Taxation on the profit or loss for the year comprises current and deferred income tax charges.

(i) Current Income tax
Current income tax charges are based on taxable profit for the year. Taxable profit differs from the reported profit before taxation arising from adjustments for items that are exempt from taxation or not deductible and items that are taxable or deductible in other years. The Group provides for current tax expense calculated at tax rates at the date of the statement of financial position that have been enacted or substantially enacted in each jurisdiction in which it operates.

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2 Summary of Significant Accounting Policies (Continued)

(p) Taxation (continued)

(i) Current Income tax (continued)

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred income tax

Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be recognised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be recognised or the liability will be settled based on enacted rates.

Deferred tax assets and liabilities are offset when they arise from the same taxable entity, relate to the same tax authority and when there is a legally enforceable right to offset current tax assets against current tax liabilities.

Current and deferred taxes are recognised as income tax expense or benefit in the statement of profit or loss except, where they relate to items recorded in other comprehensive income, they are also charged or credited to other comprehensive income.

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(r) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Group's activities. Revenue is recognized as follows:

Premium income

Premiums, including those in respect of single premium life contracts, are recognized as earned when due and are stated net of reinsurance premiums in the statement of profit or loss.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a monthly pro rata basis. The proportion attributable to subsequent periods is deferred and recorded as deposits on premiums and premiums received in advance on the statement of financial position.

2 Summary of Significant Accounting Policies (Continued)

(r) Revenue recognition (continued)

Interest income
Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Dividend income
Dividend income is recognised when the right to receive payment is established.

Rental income
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

Rental income arising from operating leases on investment properties are charged to the consolidated statement of profit or loss on a straight line basis over the life of the lease.

Fee income
Fees are earned from the management of the assets of the segregated and deposit administration funds and from general policy administration and surrenders. Fees are recognised in the period in which these services are rendered.

(s) Prepaid commissions

Prepaid commissions are written off over the first year of each policy. Where policies have lapsed during the period, commissions are recovered from the agents and are included in the statement of profit or loss at the time of recovery.

(t) Employee benefits

(i) Pension plans
The Company operates a defined contribution plan, the assets of which are held in a separate trustee administered fund. Employees are required to contribute 5% of pensionable salary while the Company contributes an additional 5%.

(ii) Share-based compensation
The Group participates in an equity-settled share-based compensation plan operated by the holding Company. 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 options granted, excluding the impact of any non-market vesting conditions (for example, net profit growth target). Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable.

2 Summary of Significant Accounting Policies (Continued)

(t) Employee benefits (continued)

(ii) Share-based compensation
At the statement of financial position date, the Group revises its estimate of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the statement of profit or loss, and a corresponding adjustment to equity over the remaining vesting period. When the options are exercised, the proceeds received net of any transaction costs are credited to the Share Option Reserve.

(iii) Profit sharing and bonus plan
The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders. The Group recognises a provision where contractually obliged or where past practice has created a constructive obligation.

(u) Dividend paid
Dividend paid to the Company's shareholders is recognised as an appropriation from retained earnings in the period in which the dividends are approved by the Company's Board of Directors.

3 Critical Accounting Estimates and Judgments 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 judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Estimate of future benefit payments and premiums arising from long-term insurance contracts
The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Group. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. Estimations of the mortality rate determine the value of the benefit payments. The main source of uncertainty is that epidemics such as AIDS 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 to longevity risk.

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.

Under certain contracts, the Group has offered guaranteed annuity options. In determining the value of these options, management has assumed that 100% of the annuity options are exercised. There is no reinsurance protection held in respect of these contracts that would reduce these amounts. 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. See Note 35 (a) for the sensitivity of the value of insurance liabilities to changes in assumptions used to value the liabilities.

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3 Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

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

Critical accounting estimates

Estimate of future benefit payments and premiums arising from long-term insurance contracts
The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Group. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group’s own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. Estimations of the mortality rate determine the value of the benefit payments. The main source of uncertainty is that epidemics such as AIDS 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 to longevity risk.

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The average estimated rate of investment return is 5.67% for the next fifteen years and 5% beyond (2014 – 5.19% for the next fifteen years and 5% beyond). Should the average future investment returns decrease/increase by 2% (2014 – 2%) from management’s estimates, the value of the assets available to meet the insurance liability would increase/decrease by $5,089,928,000/$3,151,888,000 (2014: $5,473,799,000/$3,342,315,000).

Income taxes (see Note 31)
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 recognizes liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact that current and deferred income tax provisions in the period in which such determination is made.

Fair value of financial assets (see Note 10)
The fair value of financial assets that are not traded in an active market is determined by using an internally developed bond valuation model. Assumptions used in this model are validated and periodically reviewed internally by qualified personnel. Where applicable, data is calibrated to ensure that outputs reflect actual data and comparative market prices. Changes in assumptions used in valuations could affect reported fair value of financial assets. Key assumptions are based on current market yields.

3 Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Judgments in applying accounting policies

Property and equipment and intangible assets (see Notes 5 and 7)
Management exercises judgment in determining whether costs incurred can accrue significant future economic benefits to the Group to enable the value to be treated as a capital expense or intangible asset. Further judgment is applied in the annual review of the useful lives of all categories of property and equipment and intangible assets and the resulting depreciation/amortization determined thereon.

Impairment losses on loans and receivables
In determining amounts recorded for impairment losses in the financial statements, management makes judgments regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from loans and receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired loans and receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individually significant loans and receivables with similar characteristics, such as credit risks.

Held-to-maturity investments (see Note 10)
The Group follows the guidance of IAS 39 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortized cost.

4 Responsibilities of the Appointed Actuary and External Auditors

The Board of Directors, pursuant to the Insurance Act, appoints the actuary. The actuary's responsibility is to carry out an annual valuation of the Group's policyholders' liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and shareholders. 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 Group and the insurance policies in force.

The shareholders pursuant to the Jamaican Companies Act appoint the external auditors. The auditors' 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 shareholders. In carrying out their audit, the auditors also make use of the work of the appointed actuary and the actuary's report on the policyholders' liabilities.

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5 Property and Equipment

	The Group and The Company			
	Freehold and Leasehold Properties	Office Furniture and Equipment	Motor Vehicles	Total
	$'000	$'000	$'000	$'000
At 31 December 2015				
Opening net book amount	1,482,706	461,003	77,596	2,021,305
Exchange rate adjustments	288	(45)	1	244
Revaluation surplus	4,041	-	-	4,041
Additions	19,560	110,243	26,696	156,499
Disposals and adjustments	-	(3,229)	(375)	(3,604)
Transfer from investment properties (Note 6)	21,157	-	-	21,157
Depreciation charge	(24,384)	(88,745)	(22,328)	(135,457)
Closing net book amount	1,503,368	479,227	81,590	2,064,185
At 31 December 2015				
Cost or valuation	1,559,493	1,337,086	137,006	3,033,585
Accumulated depreciation	(56,125)	(857,859)	(55,416)	(969,400)
Closing net book amount	1,503,368	479,227	81,590	2,064,185
At 31 December 2014				
Opening net book amount	1,464,166	298,499	29,085	1,791,750
Exchange rate adjustments	2,647	(756)	(105)	1,786
Revaluation surplus	13,641	-	-	13,641
Additions	61,181	251,437	74,713	387,331
Disposals and adjustments	-	(568)	(5,412)	(5,980)
Transfer to assets of discontinued operations (Note 13)	(35,101)	(2,477)	-	(37,578)
Depreciation charge	(23,828)	(85,132)	(20,685)	(129,645)
Closing net book amount	1,482,706	461,003	77,596	2,021,305
At 31 December 2014				
Cost or valuation	1,514,447	1,230,117	110,684	2,855,248
Accumulated depreciation	(31,741)	(769,114)	(33,088)	(833,943)
Closing net book amount	1,482,706	461,003	77,596	2,021,305

At 31 December 2015, all properties with a freehold and investment component were professionally valued, at open market value, by independent valuators. Open market value for the respective properties is derived based on a combination of the sales comparison approach and investment approach as defined in Note 6. The surplus arising on the property revaluation has been credited, net of deferred tax, to the property revaluation reserve.

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5 Property and Equipment (Continued)

If freehold and leasehold properties were stated on a historical cost basis, the amounts shown for the Group and the Company would be as follows;

	The Group and The Company	
	2015	**2014**
	$'000	**$'000**
Cost	851,279	831,719
Accumulated depreciation	(191,370)	(166,986)
Net book amount	659,909	664,733

6 Investment Properties

Investment properties consist of investments in residential, commercial and mixed use properties, located in Jamaica.

	The Group and The Company	
	2015	**2014**
	$'000	**$'000**
At 1 January	705,081	670,376
Additions	316,509	-
Fair value gains (Note 27b)	32,291	34,705
Disposals/adjustments	(287)	
Transfer to freehold properties	(21,157)	-
At 31 December	1,032,437	705,081
Rental income	27,671	24,097
Direct operating expenses incurred in respect of investment property that generated rental income during the year	9,096	6,271

At 31 December 2015, investment properties were professionally valued, at open market value, by Allison Pitter & Company who is accredited in Jamaica specializing in the valuation of commercial, residential and mixed use properties. The surplus arising on the property revaluation has been credited to the statement of profit or loss.

Residential properties are mainly revalued using the sales comparison approach which estimates the fair value based on sale prices of properties of similar nature or in similar locations with price adjustments being made for any notable differences between the sample and subject properties.

Commercial properties are primarily valued using the sales comparison approach and investment approach. The investment approach involves determining the value of the properties by applying an appropriate valuation model to convert the expected future cash flows into present values. Discount rates applied to the model range from 7.5% to 10.5% (2014: 5% to 10.5%) as deemed most appropriate by the valuator.

Included in investment properties are properties purchased for a unit linked fund valued at $56,722,000 (2014: $45,128,000). Income earned from the property totaled $6,316,000 (2014: $3,169,000) and direct operating expenses totaled $1,152,000 (2014: $2,552,000).

No investment property in the Group is subject to any liens or mortgages and the Company has no curtailments with regard to the transfer, resale or other use of its investment properties. The Company is not under any contractual obligation with regard to significant development, enhancement, repair or maintenance of any investment property.

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7 Intangible Assets

	The Group and The Company	
	2015	**2014**
	$'000	**$'000**
At 1 January	46,322	28,430
Additions	46,603	33,603
Amortization	(20,562)	(15,711)
At 31 December	72,363	46,322
At 31 December		
Cost	322,203	275,600
Accumulated amortization	(249,840)	(229,278)
Net book value	72,363	46,322

8 Investment in Subsidiary

	The Company	
	2015	**2014**
	$'000	**$'000**
Guardian Life Properties Limited		
20,000 ordinary shares at cost	20	20

9 Reinsurance Assets

This represents the Group's net contractual rights under reinsurance contracts:

	The Group and The Company	
	2015	**2014**
	$'000	**$'000**
Long term insurance contracts:		
With fixed and guaranteed terms and without DPF	140,048	154,873
Balance 1 January	154,873	155,456
Decrease in reserves for future policy benefits	(14,825)	(583)
Balance 31 December	140,048	154,873

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10 Financial Assets

	The Group and The Company			
	Carrying Value 2015 $'000	Fair Value 2015 $'000	Carrying Value 2014 $'000	Fair Value 2014 $'000
Total financial assets	48,456,930	48,793,947	45,342,672	45,457,265
Financial assets at fair value through profit or loss	26,023,205	26,023,205	22,914,450	22,914,450
Held to maturity financial assets	22,028,877	22,365,894	21,918,050	22,032,643
Financial assets at amortised cost	404,848	404,848	510,172	510,172
Total financial assets	48,456,930	48,793,947	45,342,672	45,457,265`

	Carrying Value	
	2015 $'000	2014 $'000
Financial assets at fair value through profit or loss		
Equity securities:		
- Listed	4,635,251	2,491,926
	4,635,251	2,491,926
Debt securities:		
- Government securities	18,337,301	17,789,612
- Debentures and corporate bonds	2,700,080	2,249,366
	21,037,381	20,038,978
Other	101,773	95,919
	101,773	95,919
	25,774,405	22,626,823
Interest receivable	248,800	287,627
	26,023,205	22,914,450
Current	583,452	334,145
Non-current	25,439,753	22,580,305
	26,023,205	22,914,450

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10 Financial Assets (Continued)

	The Group and The Company			
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
	2015	**2015**	**2014**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Held-to-maturity financial assets				
Debt securities:				
- Government securities	21,747,020	22,084,037	21,625,431	21,738,393
Interest receivable	281,857	281,857	292,619	294,250
	22,028,877	22,365,894	21,918,050	22,032,643
Current:	1,616,666	1,616,666	1,871,475	1,871,475
Non-current	20,412,211	20,749,228	20,109,575	20,161,168
	22,028,877	22,365,894	21,918,050	22,032,643

	Carrying Value	
	2015	**2014**
	$'000	**$'000**
Financial assets at amortised cost		
Government securities	180,622	250,074
Interest receivable	224,226	260,098
	404,848	510,172
Current	202,248	174,288
Non-current	202,600	335,884
	404,848	510,172

Included in financial assets are the following securities:

(a) Government of Jamaica Benchmark Investment Notes with a face value of $325 million, of which $90 million (2014 - $90 million) has been pledged with the Financial Services Commission, in accordance with Section 8 (1) (a) of the Insurance Regulations 2001.

(b) Government of Barbados debenture with a face value of J$6M million or BBD$100,000 (2014 – J$5.7 million or BBD$100,000) which has been pledged with the Financial Services Commission of Barbados.

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10 Financial Assets (Continued)

The table below illustrates the movements in financial assets:

	The Group and The Company			
	Financial Assets at Fair Value Through Profit or Loss	Held to Maturity	Financial Assets at Amortised Cost	Total
	$'000	$'000	$'000	$'000
At 1 January 2015	22,626,823	21,625,431	250,074	44,502,328
Exchange differences	218,723	41,354	8,236	268,313
Additions	1,585,477	924,597	-	2,510,074
Disposals/maturities	(524,311)	(844,362)	(77,688)	(1,446,361)
Fair value net gains	1,867,693	-	-	1,867,693
At 31 December 2015	25,774,405	21,747,020	180,622	47,702,047

	Financial Assets at Fair Value Through Profit or Loss	Held to Maturity	Financial Assets at Amortised Cost	Total
	$'000	$'000	$'000	$'000
At 1 January 2014	21,116,135	19,947,494	435,143	41,498,772
Exchange differences	309,816	59,864	31,454	401,134
Additions	1,664,314	2,417,156	-	4,081,470
Disposals/maturities	(504,968)	(713,353)	(45,043)	(1,263,364)
Transfer to assets of discontinued operations	(184,112)	(85,730)	(171,480)	(441,322)
Realized gains	952	-	-	952
Fair value net gains	224,686	-	-	224,686
At 31 December 2014	22,626,823	21,625,431	250,074	44,502,328

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10 Financial Assets (Continued)

The following table shows an analysis of assets recorded at fair value by level of fair value hierarchy:

	The Group			
	Level 1	Level 2	Level 3	Total Fair value
	$'000	$'000	$'000	$'000
At 31 December 2015				
Assets measured at fair value:				
Freehold and leasehold properties	-	-	1,503,368	1,503,368
Investment properties	-	-	1,032,437	1,032,437
Asset held for sale	-	-	97,557	97,557
Financial assets at fair value through profit or loss:				
Equity securities	4,635,251	-	-	4,635,251
Debt securities	-	21,037,381	-	21,037,381
Other	62,405	39,368	-	101,773
	4,697,656	21,076,749	2,633,362	28,407,767

	Level 1	Level 2	Level 3	Total Fair value
	$'000	$'000	$'000	$'000
At 31 December 2014				
Assets measured at fair value:				
Freehold and leasehold properties	-	-	1,482,706	1,482,706
Investment properties	-	-	705,081	705,081
Asset held for sale	-	-	153,285	153,285
Financial assets at fair value through profit or loss:				
Equity securities	2,491,926	-	-	2,491,926
Debt securities	-	20,038,978	-	20,038,978
Other	48,319	47,600	-	95,919
	2,540,245	20,086,578	2,341,072	24,967,895

There were no transfers between Level 1 and Level 2 during the year.

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10 Financial Assets (Continued)

	The Company			
	Level 1	**Level 2**	**Level 3**	**Total Fair value**
	$'000	**$'000**	**$'000**	**$'000**
At 31 December 2015				
Assets measured at fair value:				
Freehold and leasehold properties	-	-	1,503,368	1,503,368
Investment properties	-	-	1,032,437	1,032,437
Financial assets at fair value through profit or loss:				
Equity securities	4,635,251		-	4,635,251
Debt securities	-	21,037,381	-	21,037,381
Other	62,405	39,368	-	101,773
	4,697,656	21,076,749	2,535,805	28,310,210

	Level 1	**Level 2**	**Level 3**	**Total Fair value**
	$'000	**$'000**	**$'000**	**$'000**
At 31 December 2014				
Assets measured at fair value:				
Freehold and leasehold properties	-	-	1,482,706	1,482,706
Investment properties	-	-	705,081	705,081
Financial assets at fair value through profit or loss:				
Equity securities	2,491,926	-	-	2,491,926
Debt securities	-	20,038,978	-	20,038,978
Other	48,319	47,600	-	95,919
	2,540,245	20,086,578	2,187,787	24,814,610

There were no transfers between Level 1 and Level 2 during the year.

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10 Financial Assets (Continued)

Reconciliation of movements in Level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing recorded amount of Level 3 assets and which are recorded at fair value.

Assets measured at fair value:

	The Group						
	At 1 January	Exchange rate adjustment	Total gain/(loss) profit or loss	Revaluation surplus	Additions	Other movement	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2015							
Freehold and leasehold properties	1,482,706	288	-	4,041	19,560	(3,227)	1,503,368
Investment properties	705,081	-	32,291	-	316,509	(21,444)	1,032,437
Asset held for sale	153,285	7,554	(63,282)	-	-	-	97,557
	2,341,072	7,842	(30,991)	4,041	336,069	(24,671)	2,633,362
2014							
Freehold and leasehold properties	1,464,166	2,647	-	13,641	61,181	(58,929)	1,482,706
Investment properties	670,376	-	34,705	-	-	-	705,081
Asset held for sale	147,571	5,714	-	-	-	-	153,285
	2,282,113	8,361	34,705	13,641	61,181	(58,929)	2,341,072

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10 Financial Assets (Continued)

Reconciliation of movements in Level 3 financial instruments measured at fair value (continued)

The following table shows a reconciliation of the opening and closing recorded amount of Level 3 assets and which are recorded at fair value.

Assets measured at fair value:

	The Company						
	At 1 January	Exchange rate adjustment	Total gain/(loss) profit or loss	Revaluation surplus	Additions	Other movement	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2015							
Freehold and leasehold properties	1,482,706	288	-	4,041	19,560	(3,227)	1,503,368
Investment properties	705,081	-	32,291	-	316,509	(21,444)	1,032,437
	2,187,787	288	32,291	4,041	336,069	(24,671)	2,535,805
2014							
Freehold and leasehold properties	1,464,166	2,647	-	13,641	61,181	(58,929)	1,482,706
Investment properties	670,376	-	34,705	-	-	-	705,081
	2,134,542	2,647	34,705	13,641	61,181	(58,929)	2,187,787

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11 Loans and Receivables

	The Group and The Company			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2015	2015	2014	2014
	$'000	$'000	$'000	$'000
Loans and receivables	1,618,114	1,618,114	1,296,746	1,296,746

	The Group and The Company	
	Carrying Value/Fair Value	Carrying Value/Fair Value
	2015	2014
	$'000	$'000
Current receivables		
Insurance receivables		
Premiums receivable	336,225	428,049
Due from reinsurers	116,459	144,394
Policy loans	214,059	230,557
Commissions paid in advance	139,866	133,470
Agents advances	3,075	51,542
	809,684	988,012
Other receivables		
Other loans and receivables	781,902	290,062
Interest receivable	26,347	17,758
Due from subsidiary (Note 34)	181	914
	808,430	308,734
	1,618,114	1,296,746

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12 Investment in Associated Company/Asset Held for Sale

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Investment in associate	153,285	147,571	86,556	86,556
Impairment provision	(63,282)	-	-	-
Exchange rate adjustments	7,554	5,714	-	-
Loans to associate	13,406	13,406	13,406	13,406
Balance at 31 December	110,963	166,691	99,962	99,962

Under the terms of a Shareholders' Agreement dated 30 October 2000, the Group invested US$2 million in the associated company, Ocho Rios Beach Limited (ORBL), representing the cost of 25,000 shares at US$1.00 each, issued at a premium of US$79.00 each. The associated company commenced operations in March 2002 and is unlisted. In December 2007, the Group disposed of 1% of the associated company's shareholding thereby reducing its holdings to 24% or 24,000 shares.

At 30 June 2012, the Group made an impairment provision of $38,281,000 on the investment in ORBL based on a purchase offer made to the minority shareholders of US$60 per share and ceased to equity account for this investment. At 31 December 2012, management reclassified its investment in ORBL as an asset held for sale under IFRS 5 in the statement of financial position on the basis that:

a) the Group's interest in ORBL is available for immediate sale in its present condition, subject only to terms that are usual and customary for sale of such assets;

b) the Group's interest will be genuinely sold, not abandoned; and

c) management having completed an evaluation of the fair value of ORBL has concluded that the offer of US$60 per share represents the best estimate of ORBL's fair value.

At 31 December 2014, all minority shareholders have agreed the terms of a financing arrangement for the acquisition of the ordinary shares in Ocho Rios Beach Limited, by the majority shareholder, Island International Limited and are awaiting the finalization of the Share Purchase Agreement. The minority interest of 50,000 ordinary shares are to be acquired at a price of US$60 per share to be paid over a five (5) year period at an interest rate of 4% per annum. Under the terms of the proposed arrangement, security is in the form of a first legal mortgage on the property owned by ORBL and to be acquired the majority shareholder.

At 30 June 2015, the majority shareholder revised his offer price based on an internal valuation and the Group made a further impairment provision of $63,282,000 on the investment. The asset held for sale is carried at fair value of US$37.40 per share less costs to sell. As at year-end, an agreement was reached and the sale agreement is expected to be executed by the end of 2016.

The investment in associate is carried at fair value while the loan to associate is reflected at amortized cost.

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13 Assets and Liabilities of Discontinued Operations

On 4 September 2014, the Group entered into an agreement for the transfer of all contracted life insurance policies in Belize subject to regulatory approval. The transaction received conditional regulatory approval on 17 December 2014 and had an effective date of 1 January, 2015. The assets supporting the life insurance and investment contracts of the Group's Belize branch were presented as Discontinued Operations in accordance with IFRS 8 for the year 2014.

The net results of the Belize Branch have been consolidated into one line on the statement of profit or loss as net gain/(loss) on discontinued operations. These results are presented below:

	2015 $'000	2014 $'000
Net sale proceeds	193,978	-
Revenue	-	265,446
Realized translation gain	45,550	-
Expenses	-	(246,196)
Taxation	-	(4,389)
Gain on sale/Profit after tax	239,528	14,861
Adjustment for income on Government of Belize 2038 Bond	-	(41,042)
Gain/(Loss) after tax from discontinued operations	239,528	(26,181)

The major classes of assets and liabilities of discontinued operations as at 31 December 2014 are:

	2014 $
Assets	
Property and equipment (Note 5)	37,578
Financial assets	444,444
Policyholders' loans	15,595
Other assets (including outstanding premiums & prepaid commissions	13,944
Cash and cash equivalents	43,472
	555,033
Liabilities	
Insurance contracts (Note 18)	414,615
Investment contracts (Note 19)	68,304
Other policy liabilities	71,030
Other liabilities	1,084
	555,033

As at 31 December 2014 J$543,020,000 million or BZ$9,500,000 was pledged with the Belize Supervisor of Insurance.

14 Cash and Cash Equivalents

	The Group and The Company	
	2015	**2014**
	$'000	**$'000**
Cash and cash equivalents	5,449,107	6,120,776
Cash at bank and in hand	1,156,200	1,169,399
Short term deposits (90 days or less)	3,733,925	4,481,106
Cash and cash equivalents – unit linked funds	558,982	470,271
Total cash and cash equivalents	5,449,107	6,120,776

Included in short term deposits is:

a) J$6M million or BBD$100,000 (2014 - J$5.7 million or BBD$100,000) pledged with the Financial Services Commission of Barbados.

The Group and the Company enter into collateralized resale agreements which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. Included in the total cash and cash equivalents are securities purchased under resale agreements in the amount of $3,760,189,000 (2014 - $4,534,124,000) regarded as cash equivalents for the purposes of the statement of cash flows.

The short-term deposit portfolio yielded an average return of 6.59% (2014:7.22%).

15 Share Capital

	The Group and The Company	
	2015	**2014**
	$'000	**$'000**
Authorized		
126,575,000 ordinary shares of no par value		
Issued and fully paid		
126,525,000 ordinary shares of no par value	126,525	126,525

16 Stock Option Reserve

The current status of options inclusive of bonus issues and stock dividends to date is as follows:

	The Group and The Company	
	2015	**2014**
	$'000	**$'000**
Balance at 1 January	120,047	119,129
Executive share option plan:		
- (lapses)/ value of services provided	(9,646)	918
Balance at 31 December	110,401	120,047

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16 Stock Option Reserve (Continued)

Performance Share Option Plan

The Group operates a Stock Option Plan for its Executives. A total of 33,890,023 shares have been allocated to this plan since inception inclusive of bonus issues and stock dividends. Increases were approved at the Annual Meeting in 1999, 2004 and in 2011.

The movement in the number of share options outstanding for the year is as follows:

	2015 Average Exercise Price TTD	2015 Options 000s	2014 Average Exercise Price TTD	2014 Options 000s
At beginning of year	$23.74	1,749	$23.74	1,749
Granted				-
Exercised				-
Lapsed	$24.66	(135)		-
At end of year	$23.67	1,614	$23.74	1,749

The exercise price of the options granted up to 2008 is equal to the average market price of the shares on the three dealing days preceding the date of the grant. The exercise price of the options granted in 2012 is the greater of $18.00 and the adjusted reference price. The vesting period is 2 years. Options are exercisable starting two years from the grant date up to the eighth anniversary of the date of grant. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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

		Number of shares	
Expiry date	Exercise Price TTD	000s 2015	000s 2014
14 Sep 2015	$21.40	-	108
31 Mar 2016	$33.17	179	194
3 Apr 2017	$43.33	132	144
28 May 2018	$27.73	134	134
2 Apr 2019	$19.99	133	133
31 Mar 2020	$24.51	233	233
25 Sep 2021	$18.00	379	379
12 Apr 2022	$18.00	424	424
		1,614	1,749

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17 Reserves

	The Group			
	Special Investment Reserve	Property Revaluation Reserve	Translation Reserve	Total
	$'000	$'000	$'000	$'000
At 1 January 2015	283,573	775,743	284,200	1,343,516
Other comprehensive income	-	3,031	(31,675)	(28,644)
Transfer from retained earnings	687,777	-	-	687,777
At 31 December 2015	971,350	778,774	252,525	2,002,649
At 1 January 2014	272,371	764,978	266,727	1,304,076
Other comprehensive income	-	10,765	17,473	28,238
Transfer from retained earnings	11,202	-	-	11,202
At 31 December 2014	283,573	775,743	284,200	1,343,516

	The Company			
	Special Investment Reserve	Property Revaluation Reserve	Translation Reserve	Total
	$'000	$'000	$'000	$'000
At 1 January 2015	283,573	775,743	39,172	1,098,488
Other comprehensive income	-	3,031	(39,227)	(36,196)
Transfer from retained earnings	687,777	-	-	687,777
At 31 December 2015	971,350	778,774	(55)	1,750,069
At 1 January 2014	272,371	764,978	27,576	1,064,925
Other comprehensive income	-	10,765	11,596	22,361
Transfer from retained earnings	11,202	-	-	11,202
At 31 December 2014	283,573	775,743	39,172	1,098,488

The property revaluation reserve is used to record increases or decreases in the carrying amount of an item of property that has been revalued. If an asset's carrying amount is increased as a result of a revaluation, the increase is recognized in equity under the heading of property revaluation reserve. However, the increase is recognized in the statement of profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in other comprehensive income. If the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized in the statement of profit or loss.

The translation reserve is used to record exchange differences arising from the branches, whose functional currency is different to the functional currency used in the financial statements. Differences in retranslating opening net assets for investment in the branches using the exchange rate at year end compared to the exchange rate at the beginning of the year are recognized in other comprehensive income and taken to the translation reserve. The difference between a branch's profit or loss for the year translated at the year-end exchange rate and the profit or loss for the year converted at the average rate for the year is recognized in other comprehensive income and taken to the translation reserve.

The special investment reserve represents a non-distributable reserve established under the provisions of the Insurance Regulations, 2001. (Note 2(n))

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18 Insurance Contracts

(a) Composition is as follows:

	The Group and The Company	
	2015	**2014**
	$'000	**$'000**
By line of business –		
Ordinary life	7,620,296	9,183,449
Annuities	13,704,672	13,371,502
Group life, health and personal accident	194,762	167,183
	21,519,730	22,722,134
By insurance contract type –		
Long term insurance contracts:		
With fixed and guaranteed terms and without DPF	20,676,774	21,844,028
With fixed and guaranteed terms and with DPF	648,194	710,923
	21,324,968	22,554,951
Short term insurance contracts:	194,762	167,183
	21,519,730	22,722,134

	Ordinary Life	Annuities	Group Life Health and Personal Accident	Total
	2015	**2015**	**2015**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	9,183,449	13,371,502	167,183	22,722,134
Increase in reserves for future policy benefits	727,003	1,516,426	27,579	2,271,008
Impact of changes in tax regime (Note 31)	(2,290,571)	(1,183,256)	-	(3,473,827)
Exchange rate adjustment	415	-	-	415
At 31 December	7,620,296	13,704,672	194,762	21,519,730

	Ordinary Life	Annuities	Group Life Health and Personal Accident	Total
	2014	**2014**	**2014**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	9,241,525	12,581,729	163,127	21,986,381
Increase in reserves for future policy benefits	360,004	782,231	4,056	1,146,291
Increase in reserves for future policy benefits – discontinued operations (Note 13)	(414,615)	-	-	(414,615)
Exchange rate adjustment	(3,465)	7,542	-	4,077
At 31 December	9,183,449	13,371,502	167,183	22,722,134

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18 Insurance Contracts (Continued)

(b) By insurance contract type -

	With Fixed and Guaranteed Terms and without DPF	With Fixed and Guaranteed Terms and with DPF	Short Term Insurance Contracts- (Group Life, Health and Personal Accident)	Total
	2015	**2015**	**2015**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	21,844,028	710,923	167,183	22,722,134
Refinements and corrections	5,838	(11)	-	5,827
Changes in tax regime (Note 31)	(3,448,374)	(25,453)		(3,473,827)
Change in interest rates	(55,779)	(16,184)	-	(71,963)
Change in expenses	(92,561)	(2,197)	-	(94,758)
Changes due to the issuance of new policies	(70,024)	454	27,579	(41,991)
Foreign currency translation	9,056	-		9,056
Normal increase due to the passage of time	2,484,590	(19,338)	-	2,465,252
At 31 December	20,676,774	648,194	194,762	21,519,730

	With Fixed and Guaranteed Terms and without DPF	With Fixed and Guaranteed Terms and with DPF	Short Term Insurance Contracts- (Group Life, Health and Personal Accident)	Total
	2014	**2014**	**2014**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	20,970,292	852,962	163,127	21,986,381
Refinements and corrections	(185,654)	-	-	(185,654)
Change in interest rates	(396,743)	39,576	-	(357,167)
Change in expenses	(4,598)	(523)	-	(5,121)
Changes due to the issuance of new policies	(80,318)	12,051	4,056	(64,211)
Foreign currency translation	9,144	-	-	9,144
Normal increase due to the passage of time	1,531,905	(193,143)	-	1,338,762
At 31 December	21,844,028	710,923	167,183	22,722,134

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19 Investment Contracts

	The Group and The Company			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2015 $'000	2015 $'000	2014 $'000	2014 $'000
Deposits administration funds	16,594,593	16,594,593	15,943,214	15,943,214
Unit linked funds	8,503,789	8,503,789	7,160,783	7,160,783
Investment contracts	25,098,382	25,098,382	23,103,997	23,103,997

These represent funds managed by the Group and the Company on behalf of pension schemes and policyholders invested in unit linked funds.

Contributors to the deposit administration funds are paid a fixed annual rate of return in the first policy year, with the rate being revised on at least an annual basis thereafter. At the end of the year, there were 165 (2014 - 169) schemes contributing to the fund.

Deposit administration fund liabilities carry floating rates of interest and therefore the carrying amounts approximate their fair values.

The liabilities of the unit linked funds are carried at fair value. Deposits, withdrawals, net investment income together with the increase or decrease in the market value of investments are charged or credited to the unit linked fund liabilities.

Unit values are determined by dividing the value of the assets in the funds on a valuation date by the number of units in the funds on the valuation date.

	Deposit Admin Funds $'000	Unit Linked Funds $'000	2015 $'000	Deposit Admin $'000	Unit Linked Funds $'000	2014 $'000
The movements in the liabilities arising from investment contracts are summarized below:						
At beginning of year	15,943,214	7,160,783	23,103,997	14,532,043	6,845,219	21,377,262
Deposits received	1,577,074	1,431,011	3,008,085	1,587,153	1,314,051	2,901,204
Fees	(30,858)	-	(30,858)	(40,484)	-	(40,484)
Withdrawals	(1,856,977)	(1,490,584)	(3,347,561)	(1,064,823)	(1,430,627)	(2,495,450)
Investment contract benefits	812,267	1,402,579	2,214,846	791,024	432,140	1,223,164
Transfer to discontinued operations (Note 13)	-	-	-	(68,304)	-	(68,304)
Net exchange differences	149,873	-	149,873	206,605	-	206,605
At end of year	16,594,593	8,503,789	25,098,382	15,943,214	7,160,783	23,103,997

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19 Investment Contracts (Continued)

Included in the deposit administration funds are:

(a) $1.19 billion (2014 - $1.1 billion) in respect of the Company's pension scheme; and

(b) $147 million (2014 - $125 million) in respect of the pension scheme of fellow subsidiaries.

20 Other Policy Liabilities

	The Group and The Company	
	2015	2014
	$'000	$'000
Claims payable	789,946	826,418
Claims payable – unit linked funds	15,884	42,689
Deposits on premiums and premiums received in advance	385,208	387,908
Dividends on deposit	12,146	12,309
	1,203,184	1,269,324

21 Deferred Taxation

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

	The Group and The Company	
	2015	2014
	$'000	$'000
Deferred tax liabilities		
- Crystallizing in less than 12 months	85,562	51,774
- Crystallizing after more than 12 months	510,241	350,591
	595,803	402,365

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

At 1 January	402,365	364,686
Exchange rate adjustments	(507)	(117)
Charge for the year [Note 31(a)]	256,699	5,778
Tax (credit)/charge related to unit linked contracts	(63,764)	29,142
Tax charged to equity in respect of revaluation of properties [Note 31(c)]	1,010	2,876
At 31 December	595,803	402,365

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21 Deferred Taxation (Continued)

The movement in the net deferred tax assets and liabilities during the year is attributable to the following items:

	The Group and The Company					
	Balance at Beginning of Year	Exchange Rate Adjustment	Charge for the Year	Revaluation of Properties	Unit Linked Contracts	Balance at December 2015
	$'000	$'000	$'000	$'000	$'000	$'000
Future distributions	112,408	(507)	33,787	-	(39,054)	106,634
Accelerated tax depreciation	82,264	-	88,267	-	(53,379)	117,152
Investments at fair value through profit or loss	74,864	-	134,645	-	28,669	238,178
Revaluation of properties	132,829	-	-	1,010	-	133,839
	402,365	(507)	256,699	1,010	(63,764)	595,803

	Balance at Beginning of Year	Exchange Rate Adjustment	Charge for the Year	Revaluation of Properties	Unit Linked Contracts	Balance at December 2014
	$'000	$'000	$'000	$'000	$'000	$'000
Future distributions	96,907	(117)	3,523	-	12,095	112,408
Accelerated tax depreciation	80,661	-	1,603	-	-	82,264
Investments at fair value through profit or loss	57,165	-	652	-	17,047	74,864
Revaluation of properties	129,953	-	-	2,876	-	132,829
	364,686	(117)	5,778	2,876	29,142	402,365

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22 Other Liabilities

	The Group and The Company	
	2015	**2014**
	$'000	**$'000**
Due to related parties (Note 34)	3,639	1,113
Amount due to reinsurers	63,204	38,288
Sundry payables	1,324,131	756,354
	1,390,974	795,755

All amounts due to related parties are unsecured, non-interest bearing and are without fixed repayment terms.

23 Net Premium Income

(a) Insurance premium income

	The Group and The Company	
	2015	**2014**
	$'000	**$'000**
By line of business –		
Ordinary life - first year	663,248	661,772
Ordinary life – renewal	3,783,447	3,390,153
Annuities	508,616	496,294
Group life	701,158	609,584
Health	3,660,452	3,494,939
	9,316,921	8,652,742
By insurance type -		
Long-term insurance contracts with fixed and guaranteed terms	4,955,311	4,548,219
Short-term insurance contracts	4,361,610	4,104,523
	9,316,921	8,652,742

(b) Insurance premium ceded to reinsurers

	The Group and The Company	
	2015	**2014**
	$'000	**$'000**
By line of business –		
Ordinary life	241,985	147,684
Group life	58,732	118,114
Health	42,908	29,737
	343,625	295,535
By insurance type -		
Long-term reinsurance contracts	241,985	147,684
Short-term reinsurance contracts:	101,640	147,851
	343,625	295,535

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24 Policy Acquisition Expenses

	The Group and The Company	
	2015 $'000	2014 $'000
Commissions	1,095,127	1,010,344
Other expenses for the acquisition of insurance and investment contracts	457,266	372,761
	1,552,393	1,383,105

25 Net Insurance Benefits and Claims

	The Group and The Company	
	2015 $'000	2014 $'000
By insurance benefit type –		
Death claims	778,209	650,106
Maturities	64,717	61,431
Surrendered policies and bonus additions	444,720	442,968
Annuities	801,387	809,641
Health	2,749,025	2,676,384
Disability	13,569	17,853
Living benefits	106,662	66,757
	4,958,289	4,725,140

The Group and The Company

	2015			2014		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Insurance benefits						
Long-term insurance contracts with fixed and guaranteed terms and without DPF:						
- death, maturity and surrender benefits	1,911,173	(29,048)	1,882,125	1,845,560	(86,171)	1,759,389
Long-term insurance contracts with fixed and guaranteed terms and with DPF:						
- death, maturity and surrender benefits	40,213	-	40,213	39,840	-	39,840
Short term insurance contracts	3,093,000	(57,049)	3,035,951	2,948,236	(22,325)	2,925,911
Total net insurance benefits and claims	5,044,386	(86,097)	4,958,289	4,833,636	(108,496)	4,725,140

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26 Investment Income

	The Group and The Company	
	2015	**2014**
	$'000	**$'000**
Fair value through profit or loss assets - interest income	1,007,043	1,196,758
Fair value through profit or loss assets - dividend income	87,184	78,313
Held-to-maturity assets - interest income	2,202,860	2,165,951
Loans and receivables - interest income	58,318	62,739
Cash and cash equivalents - interest income	294,539	361,895
	3,649,944	3,865,656
Less: Investment expenses	(197,154)	(74,405)
	3,452,790	3,791,251
Unit linked funds		
Fair value through profit or loss assets - interest income	327,787	426,102
Fair value through profit or loss assets - dividend income	88,059	75,061
Cash and cash equivalents - interest income	33,688	43,122
	449,534	544,285
Less: Investment expenses	(217,409)	(199,615)
	232,125	344,670
	3,684,915	4,135,921

27 Gains on Financial Assets and Investment Properties

(a) Net realized fair value gains on financial assets

	The Group and The Company	
	2015	**2014**
	$'000	**$'000**
Equity securities	100,466	-
Fixed income securities	-	23,520
Equity securities – unit linked	208,666	-
Fixed income securities – unit linked	-	952
	309,132	24,472

(b) Net unrealized fair value gains on financial assets and investment properties

	The Group and The Company	
	2015	**2014**
	$'000	**$'000**
Equity securities	935,524	13,297
Fixed income securities	28,205	148,925
Fair value gains on unit linked investments	903,964	62,465
Fair value gains on investment properties (Note 6)	32,291	34,705
	1,899,984	259,392

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28 Fee Income

	The Group and The Company	
	2015	**2014**
	$'000	**$'000**
Policy administration and asset management services:		
- Investment contracts without a discretionary participation feature	387,857	328,049
Surrender charges – insurance contracts	55,026	61,062
Service charges	17,573	21,944
Other	6,000	6,000
	466,456	417,055

29 Other Income

	The Group and The Company	
	2015	**2014**
	$'000	**$'000**
Rental income	30,818	24,097
Foreign exchange gains	212,326	282,289
Foreign exchange gains – unit linked funds	16,217	20,860
Other income	41,100	7,572
	300,461	334,818

30 Operating Expenses

	The Group and The Company	
	2015	**2014**
	$'000	**$'000**
Staff cost (see below)	1,548,620	1,177,202
Depreciation and amortization	156,020	145,356
Auditors' remuneration	28,634	22,928
Directors' fees	10,283	8,796
Premium tax (Note 31)	-	160,231
Asset tax	145,689	19,026
Other expenses	985,891	692,650
	2,875,137	2,226,189

	The Group and The Company	
	2015	**2014**
	$'000	**$'000**
Staff cost includes:		
Wages, salaries and bonuses	1,265,997	941,179
Health and medical	34,018	27,804
Staff training	19,438	8,728
National insurance	90,347	77,571
Share option scheme – value of services provided	8,181	10,625
Pension costs	59,135	52,718
Termination benefits	19,754	13,620
Other	51,750	44,957
	1,548,620	1,177,202

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31 Taxation

(a) Taxation is computed as follows:

	The Group and The Company	
	2015	**2014**
	$'000	**$'000**
Current:		
Income tax at 25%	357,607	-
Investment tax at 15%	-	234,150
Deferred income tax (Note 21)	256,699	5,778
	614,306	239,928
Premium tax at 3%	-	179,257

On 29 September 2015, the Provisional Collection of Tax (Income Tax) Order 2015 was gazetted amending the income tax regime for life insurance companies effective for the year of assessment 2015 and subsequent years. Prior to the amendment, the Company was subject to premium tax at 3% on its gross premium income and investment tax at 15% on its investment income less management expenses incurred in earning that income.

With effect from 1 January 2015, the taxable profits of the Company are subject to income tax at a rate of 25% including any reduction in actuarial reserves but excluding any releases of accumulated actuarial reserves that were made in respect of premium and investment taxes. In addition, contributions to approved superannuation or retirement schemes and annuity purchases by any such fund or scheme may be excluded from chargeable income.

Included in the Order is an amendment to the Asset Tax (Specified Bodies) Act changing the applicable tax rate for life insurance companies to 0.25% with effect from Year of Assessment 2016. Asset tax levy for year of assessment 2015 was charged at 1% (2014:0.14%).

(b) Reconciliation of applicable tax charge to effective tax charge for net profit/investment income:

	The Group and the Company	
	2015	**2014**
	$'000	**$'000**
Profit before tax / income from investing activities	5,158,291	3,948,494
Tax calculated at 25%/15%	1,289,573	592,274
Income not subject to tax	(1,228,436)	(372,442)
Deductible expenses	365,716	(482,655)
Investment tax suffered on health premiums	-	519,780
Tax on unit linked funds	-	(9,780)
Effect of changes in tax rate	188,872	-
Net effect of other charges and allowance	(1,419)	(7,249)
Tax charge for the year	614,306	239,928

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31 Taxation (Continued)

(c) Income tax effect related to other comprehensive income:

	The Group and The Company					
	2015			2014		
	Before tax amount $'000	Tax expense $'000	Net of tax amount $'000	Before tax amount $'000	Tax (expense) benefit $'000	Net of tax amount $'000
Gains on property revaluation	4,041	(1,010)	3,031	19,900	(2,985)	16,915
Loss on property revaluation – discontinued operations	-	-	-	(6,259)	109	(6,150)
Total	4,041	(1,010)	3,031	13,641	(2,876)	10,765

32 Dividends

	The Group and The Company	
	2015 $'000	2014 $'000
Dividends declared and paid during the year:		
Final dividend for 2014 - $4.56 per share (2013 - $3.47 per share)	577,250	438,560
First interim dividend for 2015 - $7.91 per share (2014 - $0.87 per share)	1,000,877	109,760
Second interim dividend for 2015 - $2.79 per share (2014 - $2.66 per share)	352,680	336,869
Third interim dividend for 2015 - $7.95 per share (2014 - $3.160 per share)	1,005,312	399,832
Final dividend for 2015 - $4.75 per share	601,350	-
	3,537,469	1,285,021

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33 Adjustment for Non-Cash Items in Operating Profit

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Depreciation (Note 5)	135,457	129,645	135,457	129,645
Amortization of intangible assets (Note 7)	20,562	15,711	20,562	15,711
Share option scheme - value of services provided (Note 16)	9,646	918	9,646	918
Net fair value gains on financial and other assets	(963,729)	(162,222)	(963,729)	(162,222)
Net realized gains on financial and other assets (Note 27 (a))	-	(23,520)	-	(23,520)
Impairment loss for associated company (Note 12)	63,282	-	-	-
Change in fair value of investment properties (Note 27(b))	(32,291)	(34,705)	(32,291)	(34,705)
Loss /(gain) on disposal of property and equipment	3,154	(487)	3,154	(487)
Unrealized foreign exchange gains (Note 29)	(212,326)	(282,289)	(212,326)	(282,289)
Investment income for Unit Linked Funds (Note 26)	232,125	344,670	232,125	344,670
	(744,120)	(12,279)	(807,402)	(12,279)

34 Related Party Disclosures

	The Group and The Company	
	2015	**2014**
	$'000	**$'000**
Technical fees & computer lease rentals paid to fellow subsidiary	(67,823)	(62,675)
Management fees earned from fellow subsidiaries	10,554	9,627
Approved deposit administration fund of fellow subsidiary -		
Contributions (net)	19,054	15,924
Refunds	(5,133)	(2,072)
Interest credited	7,431	6,655
Due to parent/fellow subsidiaries (Note 22)	(3,639)	(1,113)
Due to parent/fellow subsidiaries (Note 11)	181	914
Key management compensation		
Salaries and other short-term benefits	258,773	212,239
Stock option expenses	8,181	10,625
Post-employment benefits	12,137	11,030
	279,091	233,894

35 Management of Insurance and Financial Risk

The Group issues contracts that transfer insurance risk or financial risk or both. This section summarizes these risks and the way the Group manages them.

a. Insurance risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty that the Group will have sufficient assets to satisfy the benefits payable under the contract. 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 Group 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

(i) Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or wide spread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued 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.

For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted. For contracts with discretionary participation features ("DPF"), the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party.

The Group charges for mortality risk on a monthly basis for all insurance contracts. For long term contracts without fixed and guaranteed terms, it has the right to alter these charges based on its mortality experience and hence minimize its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may reduce its mitigating effect.

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35 Management of Insurance and Financial Risk (Continued)

a. Insurance risk (continued)

Long-term insurance contracts (continued)

(i) Frequency and severity of claims (continued)

The Group manages these risks through its underwriting strategy and reinsurance arrangements. 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. For example, the Group balances death risk and survival risk across its portfolio. Medical selection is also included in the Group's underwriting procedures, with premiums varied to reflect the health condition and family medical history of the applicants. The Group has a group-wide retention limit of $10,000,000 on any single life insured.

The Group reinsures the excess of the insured benefit over $10,000,000 for standard risks (from a medical point of view) under an excess of loss reinsurance arrangement. The Group does not have in place any reinsurance for contracts that insure survival risk.

The table below presents the 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 above. 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 lower value bands. (These tables do not include annuity contracts, for which a separate analysis is reported in this note.)

	2015			
	Total Benefits Insured			
Benefits assured per life	**Before reinsurance**		**After reinsurance**	
$'000	**$'000**	**%**	**$'000**	**%**
1,000 - 5,000	206,283,921	86.0%	205,238,957	91%
5,001 - 10,000	20,250,936	9.0%	16,616,928	7%
10,001 - 15,000	3,914,039	2.0%	1,991,579	1%
15,001 - 20,000	3,285,066	1.0%	1,180,579	1%
20,001 and over	5,279,807	2.0%	1,012,317	0%
Total	239,013,769	100%	226,040,360	100%

	2014			
	Total Benefits Insured			
Benefits assured per life	**Before reinsurance**		**After reinsurance**	
$'000	**$'000**	**%**	**$'000**	**%**
1,000 - 5,000	202,106,090	85.0%	200,996,554	90.0%
5,001 - 10,000	21,266,492	9.0%	17,556,816	8.0%
10,001 - 15,000	4,938,828	2.0%	2,454,906	1.0%
15,001 - 20,000	3,014,792	1.0%	1,059,171	0.0%
20,001 and over	6,716,526	3.0%	1,187,401	1.0%
Total	238,042,728	100%	223,254,848	100%

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35 Management of Insurance and Financial Risk (Continued)

a. Insurance risk (continued)

Long-term insurance contracts (continued)

(i) Frequency and severity of claims (continued)

The following table for annuity insurance contracts illustrates 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.

	Total Annuities Payable Per Annum			
Annuities payable per annum per life	2015		2014	
$'000	**$'000**	**%**	**$'000**	**%**
0 - 200,000	1,473,691	33%	1,341,940	34%
200,001 - 300,000	457,187	10%	451,769	11%
300,001 - 400,000	433,340	10%	361,982	9%
400,001 - 500,000	258,319	6%	235,435	6%
More than 500,000	1,803,432	41%	1,565,188	40%
Total	4,425,969	100%	3,956,314	100%

Insurance risk for contracts disclosed in this note is also affected by the contract holders' right 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 contract holder behaviour. On the assumption that contract holders will make decisions rationally, overall insurance risk can be assumed to be aggravated by such behaviour. For example, it is likely that contract holders whose health has deteriorated significantly will be less inclined to terminate contracts insuring death benefits than those contract holders remaining in good health. The Group has factored the impact of contract holders behaviour into the assumptions used to measure these liabilities.

(ii) Sources of uncertainty in the estimation of future benefit payments and premium receipts

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 contract holder behaviour.

The Group uses appropriate base tables of standard mortality according to the type of contract being written and the territory in which the insured person resides. An investigation into 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. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table. Where this is not the case, 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 trends identified in the data and in the continuous mortality investigations performed by independent actuarial bodies. The impact of any historical evidence of selective termination behaviour will be reflected in this experience. 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.

35 Management of Insurance and Financial Risk (Continued)

a. Insurance risk (continued)

Long-term insurance contracts (continued)

(ii) Sources of uncertainty in the estimation of future benefit payments and premium receipts

An allowance is then made for any trends in the data to arrive at a best estimate of future termination rates.

(iii) Process used in deriving assumptions

The assumptions for long-term insurance contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year. However, changes in assumptions for expense rates, lapse rates and investment returns have decreased the insurance liability by $168,286,000 (2014 – decreased by $381,351,000).

For long-term insurance contracts, estimates are made in two stages. At inception of the contract, the Group determines assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. These assumptions are used for calculating the liabilities. A margin for risk and uncertainty is added to these assumptions. Subsequently, new estimates are developed at each reporting date to determine whether liabilities are adequate in the light of the latest current estimates. If the liabilities are not adequate, the assumptions are altered to reflect the latest current estimates, together with the provision for adverse deviation.

Assumptions are considered to be 'best estimate' if, on average, the results are expected to be worse than the assumptions in 50% of possible scenarios and better in the other 50%.

The nature and method of determining the significant assumptions made by the Company in the computation of policyholders' liabilities are described in the following paragraphs. In all cases, the assumptions are supplemented by the use of margins for adverse deviation.

Mortality
An appropriate base table of standard mortality is chosen depending on the type of contract. An investigation into the Group's experience over the most recent three years is performed, and statistical methods are used to adjust the rates reflected in the table to a best estimate of mortality for that year. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table. For contracts insuring survivorship, an allowance is made for future mortality improvements based on trends identified in the data and in the continuous mortality investigations performed by independent actuarial bodies.

Policy claims and benefits
Estimates of the amounts and timings of future claims and benefit payments are based on both Company and industry experience over extended periods. Although the pattern of claims and benefit payments may be close to that indicated by past experience some deviation in that pattern is probable.

Investment income
The computation of policyholders' liabilities takes into account projected net investment income on assets supporting policyholders' liabilities and income expected to be earned or foregone on reinvestment or financing of mismatched cash flows. Uncertainties exist with respect to the projection of interest rates and the magnitude of credit losses from asset defaults. The Company accounts for such uncertainties by incorporating provisions for credit losses into projections of investment income in addition to the allowances for depreciation in the carrying values of invested assets.

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35 Management of Insurance and Financial Risk (Continued)

a. Insurance risk (continued)

Long-term insurance contracts (continued)

(iii) Process used in deriving assumptions (continued)

Policy maintenance expenses
Amounts are included in policyholders' liabilities to provide for the costs of administering policies in force and include the costs of premium collection, adjudication and processing of claims, periodic actuarial calculations, preparation and mailing of policy statements and related indirect expenses and overheads. The process of forecasting expenses requires estimates to be made of such factors as the rate of salary increases, productivity changes, business volumes and indirect tax rates. Estimates of future policy maintenance expenses are based on the Company's experience.

Policyholder dividends
Policyholders' liabilities include the present value of estimated amounts of future policyholder dividends based on current dividend scales and expected future income attributable to participating policies.

Margin for adverse deviation
In calculating the policyholders' liabilities, a margin of 20% for acquired business and 25% for the Company's policies, consistent with the prior year, has been applied to the policy lapse rate assumptions as a margin for adverse deviation. For lapse-supported policies, a decrease in ultimate lapse rates would increase policyholders' liabilities and for non-lapse supported policies an increase in ultimate lapse rates would increase policyholders' liabilities.

(iv) Changes in assumptions

	2015 $'000	2014 $'000
Determination of liabilities		
Changes in expense assumptions	(94,734)	(30,397)
Changes in interest rates	(73,552)	(350,954)
Other assumptions	30,462	-

(v) Sensitivity analysis
The following tables present the sensitivity of the value of insurance liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance liabilities. The analyses are based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

Long-term insurance contracts with fixed and guaranteed terms and without DPF:

Variable	Change in Variable 2015	Change in Liability 2015 $'000	Change in Variable 2014	Change in Liability 2014 $'000
Worsening of mortality	10.00%	1,286,806	10.00%	1,280,571
Lowering of investment returns	-2.00%	5,077,385	-2.00%	5,473,799
Worsening of base renewal expense level	5.00%	488,800	5.00%	530,488
Worsening of expense inflation rate	1.00%	1,348,023	1.00%	1,551,840

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35 Management of Insurance and Financial Risk (Continued)

a. Insurance risk (continued)

Long-term insurance contracts (continued)

(v) Sensitivity analysis (continued)

Long-term insurance contracts with fixed and guaranteed terms and with DPF (continued):

Variable	Change in Variable 2015	Change in Liability 2015 $'000	Change in Variable 2014	Change in Liability 2014 $'000
Worsening of mortality	10.00%	2,421	10.00%	2,531
Lowering of investment returns	-2.00%	12,543	-2.00%	94,664
Worsening of basis renewal expense level	5.00%	8,687	5.00%	10,132
Worsening of expense inflation	1.00%	13,362	1.00%	16,477

Sensitivity analysis for financial risks is presented in (Note 35(b)), together with the assets backing the associated liabilities of the contracts.

(vi) Guaranteed annuity options

The amount of insurance risk under contracts with guaranteed annuity options is also dependent on the number of contract holders who will exercise their option ('option take-up rate'). This will depend significantly on the investment conditions that apply when the options can be exercised. The lower the current market interest rates in relation to the rates implicit in the guaranteed annuity rates, the more likely it is that contract holders will exercise their options. Continuing improvements in longevity reflected in current annuity rates will increase the likelihood of contract holders exercising their options as well as increasing the level of insurance risk borne by the Group under the annuities issued.

The following table indicates the likely changes in the carrying amount of the liability at year-end in response to changes in interest and mortality rates. The additional carrying amount is calculated on the assumption that every contract holder exercises his option at the earliest date possible.

Interest rate	**Current less 1%**	**Current less 1%**	**Current plus 2%**	**Current plus 2%**
Mortality rate	**Current**	**Current less 10%**	**Current**	**Current less 10%**
Additional Insurance Liability ($'000)				
2015	739,648	1,177,224	(1,034,317)	(596,742)
2014	718,735	1,174,244	(996,149)	(540,640)

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35 Management of Insurance and Financial Risk (Continued)

a. Insurance risk (continued)

Short-duration life insurance contracts

(i) Frequency and severity of claims

Short-duration life insurance contracts are contracts which are typically of a short tenure with the tenure being often determined by the length of an individual's time in employment. These contracts are mainly issued to employers to insure their commitments to their employees. The risk is affected by the nature of the industry in which the employer operates. The risk of death and disability will vary by industry.

The Group attempts to manage this risk through its underwriting and claims handling. Additionally there is re-insurance on short-duration life insurance contracts. There is also a concentration of risk in the services sector.

The following table, which analyses at the year-end the aggregated insured benefits for short-duration life insurance contracts by industry sector, indicates the insurance risk concentration by industry for these contracts. The concentration is substantially unchanged from prior year.

	2015		2014	
	Mortality Risk $'000	Risk %	Mortality Risk $'000	Risk %
Industry sector				
Employees of varying industries	294,675,390	99	222,645,957	96
Debtors of banks, trust companies, finance companies, credit unions etc.	1,927,550	1	9,310,000	4
Members of unions, associations etc.	779,125	-	361,125	-
Total	297,382,065	100	232,317,082	100

(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. However, for incurred disability income claims, it is necessary to estimate the rates of recovery from disability for future years. Standard recovery tables produced by re-insurers are used as well as the actual experience of the Group. The influence of economic circumstances on the actual recovery rate for individual contracts is the key source of uncertainty for these estimates.

(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.

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. For disability income claims the Group uses similar statistical methods used for casualty risks that incorporate the various assumptions made in order to estimate the ultimate cost of claims. The two methods more commonly used are the Factor and the Bornhuetter-Ferguson methods for Group Life and Health contracts, respectively.

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35 Management of Insurance and Financial Risk (Continued)

a. Insurance risk (continued)

Short-duration life insurance contracts (continued)

(iii) Process used in deriving assumptions (continued)

The Factor method is generally used for reserves which are estimated due to a short lag or run off period. The reserves are often estimated as a percentage of premiums. The normal percentage for group life insurance may fall between 7% to 10% of the annual premium in force at the valuation date. The Bornhuetter-Ferguson method uses a combination of a benchmark or market-based estimate and an estimate based on claims experience. The former is based on a measure of exposure such as premiums; the latter is based on the paid or incurred claims to date. The two estimates are combined using a formula that gives more weight to the experience-based estimate as time passes. This technique has been used in situations in which developed claims experience was not available for the projection (recent accident years or new classes of business).

The choice of selected results for each accident year depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combination of techniques have been selected for individual accident years or groups of accident years.

(iv) Sensitivity analysis

The analysis in the following table is 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 – for example, changes in lapses and future mortality.

	Change in Variable	Change in Liability	
		2015	2014
Variable	**%**	**$'000**	**$'000**
Worsening of mortality	10	7,671	6,638

b. Financial risk

The Group is exposed to financial risk through its financial assets, financial liabilities (particularly relating to investment contracts), reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are interest rate risk, equity price risk, currency risk and credit risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Group primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

The Group manages these positions within an asset liability management (ALM) framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the Group's ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For the segregated fund liabilities, a separate portfolio of assets is maintained and the Company bears no risk with respect to these liabilities. For the insurance contracts and the other investment contracts, no separate portfolio of investments is maintained. The Group has not substantially changed the processes used to manage its risks from previous periods.

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35 Management of Insurance and Financial Risk (Continued)

b. Financial risk (continued)

The following tables reconcile the statement of financial position to the classes and portfolios used in the ALM framework:

	2015								
	Long Term Insurance Contracts with Fixed and Guaranteed Terms			Investment Contracts					
	Without DPF $'000	With DPF $'000	Short Term Insurance Contracts $'000	Approved Deposit Administration Funds $'000	Unit Linked Contracts $'000	Other Liabilities $'000	Assets of Discontinued Operations $'000	Corporate $'000	Total $'000
Assets									
Plant and equipment	-	-	-	-	-	-	-	2,064,185	2,064,185
Investment properties	-	225,333	-	71,352	56,723	-	-	679,029	1,032,437
Intangible assets	-	-	-	-	-	-	-	72,363	72,363
Taxation recoverable	26,030	-	-	791,266	369,029	363,217	-	185,355	1,734,897
Reinsurance assets	140,048	-	-	-	-	-	-	-	140,048
Financial assets	20,296,740	357,616	-	15,234,796	7,247,707	687,654	-	4,632,417	48,456,930
Loans and receivables	96,328	32,410	-	54,191	306,572	1,076,521	-	52,092	1,618,114
Asset held for sale	-	-	-	-	-	94,288	-	16,675	110,963
Cash and cash equivalents	117,628	32,835	194,762	442,988	558,982	943,851	-	3,158,061	5,449,107
Total	20,676,774	648,194	194,762	16,594,593	8,539,013	3,165,531	-	10,860,177	60,679,044

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35 Management of Insurance and Financial Risk (Continued)

b. Financial risk (continued)

	2014								
	Long Term Insurance Contracts with Fixed and Guaranteed Terms			Investment Contracts					
	Without DPF $'000	With DPF $'000	Short Term Insurance Contracts $'000	Approved Deposit Administration Funds $'000	Unit Linked Contracts $'000	Other Liabilities $'000	Assets of Discontinued Operations $'000	Corporate $'000	Total $'000
Assets									
Plant and equipment	-	-	-	-	-	-	-	2,021,305	2,021,305
Investment properties	-	166,018	-	493,935	45,128	-	-	-	705,081
Intangible assets	-	-	-	-	-		-	46,322	46,322
Taxation recoverable	27,351	-	-	134,068	483,091	1,393,565	-	55,604	2,093,679
Reinsurance assets	154,873	-	-	-	-	-	-	-	154,873
Financial assets	20,578,893	338,471	-	14,399,532	6,211,351	10,197	-	3,804,228	45,342,672
Loans and receivables	204,786	56,755	-	-	95,644	930,773	-	8,788	1,296,746
Asset held for sale	-	-	-	-	-	-	-	166,691	166,691
Assets of discontinued operations	-	-	-	-	-	-	555,033	-	555,033
Cash and cash equivalents	758,960	268,845	167,182	915,679	470,271	-	-	3,539,839	6,120,776
Total	21,724,863	830,089	167,182	15,943,214	7,305,485	2,334,535	555,033	9,642,777	58,503,178

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35 Management of Insurance and Financial Risk (Continued)

b. Financial risk (continued)

(i) Long-term insurance contracts with fixed and guaranteed terms and without DPF

Long term insurance contracts with fixed and guaranteed terms and without DPF contain financial components which are an amalgamation of segregated and non-segregated assets. The supplemental benefits payable to holders of segregated funds contracts are based on historic and current rates of return on the fixed income securities in which the fund is invested, as well as the Group's expectations of future investment returns. The benefit on the non-segregated assets is usually a guaranteed fixed interest rate. This rate may apply to maturity and/or death benefits.

All these contracts can be surrendered before maturity for a cash surrender value specified in the contractual terms and conditions. For all these contracts, the Group is not required to measure this embedded derivative at fair value. This surrender value is always lower than the carrying amount of the contract liabilities as a result of the application of surrender penalties set out in the contracts. The range of such penalties is between 0% and 6% of the carrying amount of equity contracts, and between J$150 and 50% of the Basic Annual Premiums of insurance contracts. These penalties mitigate the expense incurred from de-recognizing the associated deferred acquisition costs (DAC) assets.

The impact on the Group's current year results if all the contracts with this option were surrendered at the financial year-end, net of surrender penalty charges and DAC write-off, would have been a loss of $16.5B (2014 – $14.5B) attributable to the equity and cash surrender value components.

The measurement of the liabilities under long-term insurance contracts and investment contracts with DPF is similar to that of insurance contracts with guaranteed and fixed terms without DPF. The Group only bears financial risk in relation to the guaranteed benefits payable under the non-segregated contracts and the investment portion of the segregated contracts.

The following tables indicate the estimated amount and timing of undiscounted cash flows arising from the liabilities in this category of the Group's ALM framework. They summarize the Group's exposure to interest rate risks for these assets and liabilities. When debt securities mature, the proceeds not needed to meet liability cash flows will be re-invested in floating rate securities, and the interest rate swaps are used to secure fixed interest rate cash flows. The reinvestment of these net positive proceeds in the earlier years will fund the negative cash flows displayed in the table below for the later years.

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35 Management of Insurance and Financial Risk (Continued)

b. Financial risk (continued)

(i) Long-term insurance contracts with fixed and guaranteed terms and without DPF (continued)

	2015 Undiscounted Cash Flows					
	Carrying Amount $'000	**Less Than One Year $'000**	**One to Five Years $'000**	**Over Five Years $'000**	**No Maturity Date $'000**	**Total $'000**
			Contractual Cash Flows			
Assets						
Taxation recoverable	26,030	-	-	26,030	-	26,030
Reinsurance assets	140,048				140,048	140,048
Financial assets	20,296,740	1,867,696	7,497,985	40,936,759	178,446	50,480,886
Loans and receivables	96,328	5,971	-	-	90,357	96,328
Cash and cash equivalents	117,628	117,674	-	-	-	117,674
Total	20,676,774	1,991,341	7,497,985	40,962,789	408,851	50,860,966
			Undiscounted Cash Flows			
Liabilities						
Long-term insurance contracts with fixed and guaranteed terms	20,676,774	122,537	862,738	1,849,425	79,856,492	82,691,192
Net Liquidity Gap		1,868,804	6,635,247	39,113,364	(79,447,641)	(31,830,226)
Cumulative Liquidity Gap		1,868,804	8,504,051	47,617,415	(31,830,226)	-

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35 Management of Insurance and Financial Risk (Continued)

b. Financial risk (continued)

(i) Long-term insurance contracts with fixed and guaranteed terms and without DPF (continued)

	2014 Undiscounted Cash Flows					
	Carrying Amount $'000	**Less Than One Year $'000**	**One to Five Years $'000**	**Over Five Years $'000**	**No Maturity Date $'000**	**Total $'000**
			Contractual Cash Flows			
Assets						
Taxation recoverable	27,351	-	-	27,351	-	27,351
Reinsurance assets	154,873				154,873	154,873
Financial assets	20,578,893	-	10,014,861	42,208,466	162,431	52,385,758
Loans and receivables	204,786	8,123	196,663	-	-	204,786
Cash and cash equivalents	758,960	792,261	-	-	-	792,261
Total	21,724,863	800,384	10,211,524	42,235,817	317,304	53,565,029
			Undiscounted Cash Flows			
Liabilities						
Long-term insurance contracts with fixed and guaranteed terms	21,724,863	130,678	920,061	1,972,307	85,162,423	88,185,469
Net Liquidity Gap		669,706	9,291,463	40,263,510	(84,845,119)	(34,620,440)
Cumulative Liquidity Gap		669,706	9,961,169	50,224,679	(34,620,440)	-

Sensitivity analysis – interest rate risk

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The sensitivity analysis is 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 (for example, change in interest rate and change in market values).

For liabilities under long-term insurance contracts with fixed and guaranteed terms, changes in interest rates will not cause a change to the amount of the liability. Investment contracts with fixed and guaranteed terms and debt securities held to maturity are accounted for at amortized cost and their carrying amounts are not sensitive to changes in the level of interest rates.

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35 Management of Insurance and Financial Risk (Continued)

b. Financial risk (continued)

(i) Long-term insurance contracts with fixed and guaranteed terms and without DPF (continued)

Sensitivity analysis – interest rate risk (continued)

In relation to financial assets described in this note, management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to parallel movements in all yield curves.

An increase of 200 (2014 – 200) basis points in interest yields would result in a loss for the period of $39,064,000 (2014 – $49,467,000). A similar decrease in interest yields would result in a profit for the period of $39,064,000 (2014 – $49,467,000).

Sensitivity analysis – equity risk

The sensitivity analysis for equity risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity securities traded in the market.

Management monitors movements of financial assets and equity price risk movements on a monthly basis by assessing the expected changes in the different portfolios due to movements in the various stock exchange indexes with all other variables held constant and all the Group's equity instruments in that particular index moving proportionally.

The equity securities described in this note are classified as financial assets at fair value through profit or loss. An increase of 10% in the key stock markets indices would result in a profit for the period of $17,240,000 (2014 – $15,496,000). A similar decrease in the key stock markets indices would result in a loss for the period of $17,240,000 (2014 – $15,496,000).

(ii) Long-term insurance contracts with fixed and guaranteed terms and with DPF

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 component of these benefits is usually a guaranteed fixed interest rate (for the insurance contracts, this rate may apply to maturity and/or death benefits) 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.

The Group issues insurance contracts which participate in the profits earned via the payment of dividends. The declaration of these dividends is at the discretion of the Group and the Group therefore bears no financial risk on this portion of the liability.

The Group manages the exposure to interest rate risks by using natural hedges that match interest sensitive assets with liabilities of a similar nature. The interest rate risk gap analysis above shows the matching of these assets and liabilities according to the earlier of contractual re-pricing or maturity.

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35 Management of Insurance and Financial Risk (Continued)

b. Financial risk (continued)

(ii) Long-term insurance contracts with fixed and guaranteed terms and with DPF (continued)

Some of the long-term insurance contracts with fixed and guaranteed terms can be surrendered before maturity for a cash surrender value specified in the contractual terms and conditions. The Group is not required to, and does not, measure this embedded derivative at fair value. This surrender value is always lower than the carrying amount of the insurance and investment liabilities as a result of the application of surrender penalties set out in the contracts.

The measurement of the liabilities under long-term insurance contracts and investment contracts with DPF is similar to that of insurance contracts with guaranteed and fixed terms without DPF. However, the impact of interest rate risk is different due to the presence of the DPF. The Group only bears financial risk in relation to the guaranteed benefits payable under these contracts. These guaranteed benefits increase as supplemental benefits are declared and distributed to contract holders. While the Group recognizes as a liability 90% of the excess of the carrying value of the underlying assets over the carrying value of the guaranteed liabilities, the Group does not bear any interest rate risk in relation to this DPF component liability.

Financial assets backing the guaranteed element of investment and insurance contracts with DPF amount to $648,194,000 (2014 – $830,090,000). These assets are included in the table below to match expected cash flows from the guaranteed components of insurance and investment contract liabilities. Similarly to the approach used for the fixed and guaranteed portfolio, fixed rate securities are used to secure fixed interest rate cash flows. On maturity of debt securities, the proceeds not needed to meet liability cash flows will be re-invested in floating rate securities and other investment securities.
The re-investment of these net positive proceeds in the earlier years will fund the negative cash flows displayed in the table below for the later years.

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35 Management of Insurance and Financial Risk (Continued)

b. Financial risk (continued)

(ii) Long-term insurance contracts with fixed and guaranteed terms and with DPF (continued)

	2015 Undiscounted Cash Flows						
	Carrying Amount $'000	**On Demand $'000**	**Less Than One Year $'000**	**One to Five Years $'000**	**Over Five Years $'000**	**No Maturity Date $'000**	**Total $'000**
	Contractual Cash Flows						
Assets							
Investment properties	225,333	-	-	-	-	225,333	225,333
Financial assets	357,616	-	26,924	201,078	2,314	168,530	398,846
Loans and receivables	32,410	-	-	-	-	32,410	32,410
Cash and cash equivalents	32,835	14,355	18,480	-	-	-	32,835
Total	648,194	14,355	45,404	201,078	2,314	426,273	689,424
	Undiscounted Cash Flows						
Liabilities							
Long-term insurance fixed contracts with and guaranteed terms and without DPF	648,194	-	20,379	27,133	36,255	844,863	928,630
Net Liquidity Gap		14,355	25,025	173,945	(33,941)	(418,590)	(239,206)
Cumulative Liquidity Gap		14,355	39,380	213,325	179,384	(239,206)	-

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35 Management of Insurance and Financial Risk (Continued)

b. Financial risk (continued)

(ii) Long-term insurance contracts with fixed and guaranteed terms and with DPF (continued)

	2014						
	Undiscounted Cash Flows						
	Carrying Amount $'000	On Demand $'000	Less Than One Year $'000	One to Five Years $'000	Over Five Years $'000	No Maturity Date $'000	Total $'000
	Contractual Cash Flows						
Assets							
Investment properties	166,018	-	-	-	-	166,018	166,018
Financial assets	338,471	-	72,109	170,370	-	182,620	425,099
Loans and receivables	56,755	-	2,273	-	-	54,482	56,755
Cash and cash equivalents	268,845	252,845	16,000	-	-	-	268,845
Total	830,089	252,845	90,382	170,370	-	403,120	916,717
	Undiscounted Cash Flows						
Liabilities							
Long-term insurance fixed contracts with and guaranteed terms and without DPF	830,089	-	26,078	34,721	46,394	1,081,129	1,188,322
Net Liquidity Gap		252,845	64,304	135,649	(46,394)	(678,009)	(271,605)
Cumulative Liquidity Gap		252,845	317,149	452,798	406,404	(271,605)	-

35 Management of Insurance and Financial Risk (Continued)

b. Financial risk (continued)

(ii) Long-term insurance contracts with fixed and guaranteed terms and with DPF (continued)

Sensitivity analysis - interest rate risk

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The sensitivity analysis is 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 (for example, change in interest rate and change in market values).

For the guaranteed element liabilities under long term insurance and investment contracts with DPF, changes in interest rate will not cause a change to the amount of the liability because their carrying amounts are not affected by the level of market interest rates. However, the DPF element liabilities are directly affected by changes in the level of interest rates to the extent that they affect the carrying amount of the assets held in the DPF funds. An increase in the value of the assets would require, all other assumptions being equal, an increase in the DPF liability and vice versa.

Management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to parallel movements in all yield curves.

An increase or decrease of 200 basis points in interest yields would not result in a gain or loss for the year.

Sensitivity analysis – equity risk

The sensitivity analysis for equity risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity securities traded in the market.

Management monitors movements of financial assets and equity price risk movements on a monthly basis by assessing the expected changes in the different portfolios due to movements in the various stock exchange indexes with all other variables held constant and all the Group's equity instruments in that particular index moving proportionally.

The equity securities described in this note are classified as financial assets at fair value through profit or loss. An increase of 10% in the key stock markets indices would result in a profit for the period of $16,853,000 (2014 – $18,262,000). A similar decrease in the key stock markets indices would result in a loss for the period of $16,853,000 (2014 –$18,262,000).

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35 Management of Insurance and Financial Risk (Continued)

b. Financial risk (continued)

(iii) Short term insurance contracts

The following table indicates the estimated amount and timing of undiscounted cash flows arising from the liabilities in this category of the Group's ALM framework:

	2015 Undiscounted Cash Flows						
	Carrying Amount $'000	On Demand $'000	Less Than One Year $'000	One to Five Years $'000	Over Five Years $'000	No Maturity Date $'000	Total $'000
	Contractual Cash Flows						
Assets							
Cash and cash equivalents	194,762	-	203,759	-	-	-	203,759
Total	194,762	-	203,759	-	-	-	203,759
	Undiscounted Cash Flows						
Liabilities							
Short-term insurance contracts	194,762	-	194,762	-	-	-	194,762
Net Liquidity Gap		-	8,997	-	-	-	8,997
Cumulative Liquidity Gap			8,997	8,997	8,997	8,997	-

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35 Management of Insurance and Financial Risk (Continued)

b. Financial risk (continued)

(iii) Short term insurance contracts (continued)

	2014 Undiscounted Cash Flows						
	Carrying Amount $'000	On Demand $'000	Less Than One Year $'000	One to Five Years $'000	Over Five Years $'000	No Maturity Date $'000	Total $'000
			Contractual Cash Flows				
Assets							
Cash and cash equivalents	167,182	-	175,395	-	-	-	175,395
Total	167,182	-	175,395	-	-	-	175,395
			Undiscounted Cash Flows				
Liabilities							
Short-term insurance contracts	167,182	-	167,182	-	-	-	167,182
Net Liquidity Gap		-	8,213	-	-	-	8,213
Cumulative Liquidity Gap		-	8,213	8,213	8,213	8,213	-

Sensitivity analysis – interest rate risk

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

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35 Management of Insurance and Financial Risk (Continued)

b. Financial risk (continued)

(iv) Unit linked contracts (Segregated Funds)

Unit linked contracts asset are maintained to meet specific investment objectives of policyholders who bear all investment risks. The following tables indicate the estimated amount and timing of undiscounted cash flows arising from the liabilities in this category of the Group's ALM framework.

	2015 Undiscounted Cash Flows						
	Carrying Amount $'000	On Demand $'000	Less Than One Year $'000	One to Five Years $'000	Over Five Years $'000	No Maturity Date $'000	Total $'000
		Contractual Cash Flows					
Assets							
Investment properties	56,723	-	-	-	-	56,723	56,723
Taxation recoverable	369,029	-	-	369,029	-	-	369,029
Financial assets	7,247,707	-	893,667	2,017,343	4,037,458	2,220,620	9,169,088
Loans and receivables	306,572	-	306,572	-	-	-	306,572
Cash and cash equivalents	558,982	60,255	498,727	-	-	-	558,982
Total	8,539,013	60,255	1,698,966	2,386,372	4,037,458	2,277,343	10,460,394
		Undiscounted Cash Flows					
Liabilities							
Estimated cash flows	8,539,013	-	90,406	767,480	1,002,672	6,678,455	8,539,013
Net Liquidity Gap		60,255	1,608,560	1,618,892	3,034,786	(4,401,112)	1,921,381
Cumulative Liquidity Gap		60,255	1,668,815	3,287,707	6,322,493	1,921,381	-

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35 Management of Insurance and Financial Risk (Continued)

b. Financial risk (continued)

(iv) Unit linked contracts (continued)

2014
Undiscounted Cash Flows

	Carrying Amount $'000	On Demand $'000	Less Than One Year $'000	One to Five Years $'000	Over Five Years $'000	No Maturity Date $'000	Total $'000
				Contractual Cash Flows			
Assets							
Investment properties	45,128	-	-	-	-	45,128	45,128
Taxation recoverable	483,091	-	-	483,091	-	-	483,091
Financial assets	6,211,351	-	149,803	1,747,642	5,009,601	1,237,766	8,144,812
Loans and receivables	95,644	-	95,644	-	-	-	95,644
Cash and cash equivalents	470,271	107,278	379,554	-	-	-	486,832
Total	7,305,485	107,278	625,001	2,230,733	5,009,601	1,282,894	9,255,507
				Undiscounted Cash Flows			
Liabilities							
Estimated cash flows	7,305,485	-	180,897	241,936	1,209,423	5,528,527	7,160,783
Net Liquidity Gap		107,278	444,104	1,988,797	3,800,178	(4,245,633)	2,094,724
Cumulative Liquidity Gap		107,278	551,382	2,540,179	6,340,357	2,094,724	

The Group's primary exposure to financial risk from unit linked 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 funds, on which investment management fees are based.

A decrease of 10% in the value of the assets would reduce the asset management fees by $6,156,000 per annum (2014 – $20,361,000).

Sensitivity analysis – interest rate risk

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The sensitivity analysis is 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 (for example, change in interest rate and change in market values).

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35 Management of Insurance and Financial Risk (Continued)

b. Financial risk (continued)

(iv) Unit linked contracts (continued)

Sensitivity analysis – interest rate risk (continued)

In relation to financial assets described in this note, management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to parallel movements in all yield curves.

An increase of 200 (2014 – 200) basis points in interest yields would result in a loss for the period of $189,744,000 (2014 – $176,433,000). A similar decrease in interest yields would result in a profit for the period of $189,744,000 (2014 – $176,433,000).

Sensitivity analysis – equity risk

The sensitivity analysis for equity risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity securities traded in the market.

Management monitors movements of financial assets and equity price risk movements on a monthly basis by assessing the expected changes in the different portfolios due to movements in the various stock exchange indexes with all other variables held constant and all the Group's equity instruments in that particular index moving proportionally.

The equity securities described in this note are classified as financial assets at fair value through profit or loss. An increase of 10% in the key stock markets indices would result in a profit for the period of $222,062,000(2014 – $123,777,000). A similar decrease in the key stock markets indices would result in a loss for the period of $222,062,000 (2014 – $123,777,000).

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35 Management of Insurance and Financial Risk (Continued)

b. Financial risk (continued)

(v) Approved deposit administration funds

The Group guarantees returns on these funds at stated rates of interest, and earns administration and investment fees.

Guaranteed interest rates are revised at least annually, which limits the impact of interest rate risk and equity risk on the spread between investment earnings and interest payments.

Management's process for monitoring the sensitivity of reported interest rate movements and movements of financial assets and equity price risk movements is similar to the process used for other assets described in this note.

The following tables indicate the estimated amount and timing of undiscounted contractual cash flows arising from the liabilities in this category of the Group's ALM framework:

	2015 Undiscounted Cash Flows						
	Carrying Amount $'000	On Demand $'000	Less Than One Year $'000	One to Five Years $'000	Over Five Years $'000	No Maturity Date $'000	Total $'000
	Contractual Cash Flows						
Assets							
Investment properties	71,352	-	-	-	-	71,352	71,352
Taxation recoverable	791,266	-	-	791,266	-	-	791,266
Financial assets	15,234,796	-	974,813	7,531,589	9,379,191	1,134,393	19,019,986
Loans & receivables	54,191	-	54,191	-	-	-	54,191
Cash and cash equivalents	442,988	362,240	84,684	-	-	-	446,924
Total	16,594,593	362,240	1,113,688	8,322,855	9,379,191	1,205,745	20,383,719
	Undiscounted Cash Flows						
Liabilities							
Long-term insurance contracts with fixed and guaranteed terms and without DPF	16,594,593	-	101,150	-	-	16,493,443	16,594,593
Net liquidity gap		362,240	1,012,538	8,322,855	9,379,191	(15,287,698)	3,789,126
Cumulative liquidity gap		362,240	1,374,778	9,697,633	19,076,824	3,789,126	-

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35 Management of Insurance and Financial Risk (Continued)

b. Financial risk (continued)

(v) Approved deposit administration funds (continued)

	2014						
	Undiscounted Cash Flows						
	Carrying Amount $'000	On Demand $'000	Less Than One Year $'000	One to Five Years $'000	Over Five Years $'000	No Maturity Date $'000	Total $'000
	Contractual Cash Flows						
Assets							
Investment properties	493,935	-	-			493,935	493,935
Taxation recoverable	134,068	-	-	134,068	-	-	134,068
Financial assets	14,399,532	-	1,460,227	5,897,601	10,947,804	463,618	18,769,250
Cash and cash equivalents	915,679	750,609	173,993	-	-	-	924,602
Total	15,943,214	750,609	1,634,220	6,031,669	10,947,804	957,553	20,321,855
	Undiscounted Cash Flows						
Liabilities							
Long-term insurance contracts with fixed and guaranteed terms and without DPF	15,943,214	-	218,394	-	-	15,724,820	15,943,214
Net Liquidity Gap		750,609	1,415,826	6,031,669	10,947,804	(14,767,267)	4,378,641
Cumulative Liquidity Gap		750,609	2,166,435	8,198,104	19,145,908	4,378,641	-

Sensitivity analysis – interest rate risk

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The sensitivity analysis is 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 (for example, change in interest rate and change in market values).

In relation to financial assets described in this note, management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to parallel movements in all yield curves.

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35 Management of Insurance and Financial Risk (Continued)

b. Financial risk (continued)

(v) Approved deposit administration funds (continued)

Sensitivity analysis – interest rate risk (continued)

An increase of 200 (2014 - 200) basis points in interest yields would result in a loss for the period of $7,847,000 (2014 – $7,774,000). A similar decrease in interest yields would result in a profit for the period of $7,847,000 (2014 – $7,774,000).

Sensitivity analysis – equity risk

The sensitivity analysis for equity risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity securities traded in the market.

Management monitors movements of financial assets and equity price risk movements on a monthly basis by assessing the expected changes in the different portfolios due to movements in the various stock exchange indexes with all other variables held constant and all the Group's equity instruments in that particular index moving proportionally.

The equity securities described in this note are classified as financial assets at fair value through profit or loss. An increase of 10% in the key stock markets indices would result in a profit for the period of $104,959,000 (2014 – $38,431,000). A similar decrease in the key stock markets indices would result in a loss for the period of $104,959,000 (2014 – $38,431,000).

(vi) Other liabilities

The following tables indicate the estimated amount and timing of undiscounted contractual cash flows arising from the assets and liabilities in the Group's ALM framework that are allocated to the Group's other liabilities:

	2015 Undiscounted Cash Flows						
	Carrying Amount $'000	On Demand $'000	Less Than One Year $'000	One to Five Years $'000	Over Five Years $'000	No Maturity Date $'000	Total $'000
	Contractual Cash Flows						
Assets							
Taxation recoverable	363,217	-	-	363,217	-	-	363,217
Financial assets	687,654	-	687,654	-	-	-	687,654
Assets Held for Sale	94,288	-	94,288	-	-	-	94,288
Loans and receivable	1,076,521	-	1,076,521	-	-	-	1,076,521
Cash and cash equivalents	943,851	240,761	736,047	-	-	-	976,808
Total	3,165,531	240,761	2,594,510	363,217	-	-	3,198,488
	Undiscounted Cash Flows						
Liabilities							
Other	3,165,531	-	3,165,531	-	-	-	3,165,531
Net Liquidity Gap		240,761	(571,021)	363,217	-	-	32,957
Cumulative Liquidity Gap		240,761	(330,260)	32,957	32,957	32,957	-

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35 Management of Insurance and Financial Risk (Continued)

b. Financial risk (continued)

(vi) Other liabilities (continued)

	2014						
	Undiscounted Cash Flows						
	Carrying Amount $'000	**On Demand $'000**	**Less Than One Year $'000**	**One to Five Years $'000**	**Over Five Years $'000**	**No Maturity Date $'000**	**Total $'000**
	Contractual Cash Flows						
Assets							
Taxation recoverable	1,393,565		-	1,393,565	-	-	1,393,565
Financial assets	10,197		10,197	-	-	-	10,197
Loans and receivable	930,773		930,773	-	-	-	930,773
Total	2,334,535	-	940,970	1,393,565	-		2,334,535
	Undiscounted Cash Flows						
Liabilities							
Other	2,334,535	-	2,334,535		-	-	2,334,535
Net liquidity gap		-	(1,393,565)	1,393,565	-		-
Cumulative liquidity gap		-	(1,393,565)	-	-	-	-

These assets and liabilities are not particularly sensitive to market risks as they have a short period to maturity and, with the exception of repurchase agreements, are non-interest bearing.

(vii) Credit risk

Credit risk is defined as the potential for loss that can occur as a result of an individual, counterparty or issuer being unable or unwilling to honor its contractual obligations to us. The Group has a Board appointed Investment Committee (in accordance with the Insurance Act and Regulations) that sets credit limits and monitors exposure by constraining the magnitude and tenor of the exposure to counterparties and issuers. The Investment Committee initiates regular portfolio reviews, monitors counterparty creditworthiness, and evaluates potential transaction risks with a view towards early problem identification and protection against unacceptable credit-related losses.

The Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

-Amounts due from issuers of investment securities held;
-Amounts due from institutions holding short term cash and deposits;
-Re-insurers' share of insurance liabilities;
-Amounts due from re-insurers in respect of claims already paid;
-Amounts due from insurance contract holders; and
-Amounts due from insurance intermediaries.

Investment and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

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35 Management of Insurance and Financial Risk (Continued)

b. Financial risk (continued)

(vii) Credit risk (continued

The Group has no significant concentrations of credit risk as the Group has a large and diverse policyholder base, with no significant balances arising from any single economic or business sector, or any single entity or group of entities.

The Group has underwriting policies in place to ensure that sales of products and services are made to potential policyholders with an appropriate credit history and financial standing to meet the premium payments when due.

Reinsurance is also used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a re-insurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of re-insurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

The Group actively monitors the financial status of its reinsurers both by reference to publicly available information and the Financial Strength Ratings of A.M. Best. All of the Group's reinsurers are rated superior by A. M. Best. A rating of superior is assigned to reinsurance companies that have, in the opinion of A.M. Best, a superior ability to meet their ongoing obligations to the primary insurer.

Below is an analysis of assets bearing credit risk.

	The Group and The Company		
	Neither Past Due nor Impaired	**Impaired**	**Total**
	$'000	**$'000**	**$'000**
As at 31 December 2015			
Financial assets	43,821,679	-	43,821,679
Loans and receivables including insurance receivables	1,500,428	-	1,500,428
Reinsurance assets	140,048	-	140,048
Cash and cash equivalents	5,449,107	-	5,449,107
	50,911,262	-	50,911,262

	Neither Past Due nor Impaired	**Impaired**	**Total**
	$'000	**$'000**	**$'000**
As at 31 December 2014			
Financial assets	42,850,746	-	42,850,746
Loans and receivables including insurance receivables	1,212,636	-	1,212,636
Reinsurance assets	154,873	-	154,873
Cash and cash equivalents	6,120,776	-	6,120,776
	50,339,031	-	50,339,031

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35 Management of Insurance and Financial Risk (Continued)

b. Financial risk (continued)

(vii) Credit risk (continued)

Credit quality of assets
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings if available or to a rating assigned by the investment manager using an approach consistent with that used by Standard and Poor's. The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Standard & Poor's issued credit rating.

AAA
An obligation rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AA
An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment is very strong.

A
An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

Below BBB
Obligations rated 'Below BBB' are regarded as having significant speculative characteristics. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.
Not Rated
This indicates that there is insufficient information on which to base a rating. These balances are current and are monitored regularly for impairment. This classification includes obligations due from individuals, short term securities and receivables arising under contracts of insurance underwritten in the international property and casualty business of the Group.

The concentration of credit risk is substantially unchanged compared to prior year.

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35 Management of Insurance and Financial Risk (Continued)

b. Financial risk (continued)

(vii) Credit risk (continued)

	The Group and The Company						
	2015						
	AAA	AA	A	BBB	Below BBB	Not Rated	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 December							
Financial assets	-	-	-	-	42,486,869	1,334,810	43,821,679
Loans and receivables including insurance receivables	-	-	-	-	245,603	1,254,825	1,500,428
Reinsurance assets	-	-	-	-	-	140,048	140,048
Cash and cash equivalents	-	-	-	-	-	5,449,107	5,449,107
	-	-	-	-	42,732,472	8,178,790	50,911,262

	The Group and The Company						
	2014						
	AAA	AA	A	BBB	Below BBB	Not Rated	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 December							
Financial assets	-	-	-	-	41,224,770	1,625,976	42,850,746
Loans and receivables including insurance receivables	-	-	-	-	17,758	1,194,878	1,212,636
Reinsurance assets	-	-	-	-	-	154,873	154,873
Cash and cash equivalents	-	-	-	-	-	6,120,776	6,120,776
	-	-	-	-	41,242,528	9,096,503	50,339,031

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35 Management of Insurance and Financial Risk (Continued)

b. Financial risk (continued)

(vii) Credit risk (continued)

Assets that are past due but not impaired
There are no assets that are past due as at the end of the reporting period but not impaired.

Concentrations of risks of financial assets with credit risk exposure
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

The following table breaks down the Group's main credit risk exposure at their carrying amounts, as categorized by the industry sectors of counterparties.

	The Group and The Company					
	2015					
	Financial Institutions	Public Sector Other Govt.	Individuals	Agents/ Brokers/ Reinsurers	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 December						
Financial assets	1,359,810	42,084,410	-	-	375,459	43,821,679
Loans and receivables including insurance receivables	-	245,603	326,727	595,625	332,473	1,500,428
Reinsurance assets	-	-	-	140,048	-	140,048
Cash and cash equivalents	5,449,107	-	-	-	-	5,449,107
	6,808,917	42,330,013	326,727	735,673	707,932	50,911,262

	The Group and The Company					
	2014					
	Financial Institutions	Public Sector Other Govt.	Individuals	Agents/ Brokers/ Reinsurers	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 December						
Financial assets	4,051,793	37,880,103	-	-	918,850	42,850,746
Loans and receivables including insurance receivables	17,758	-	415,569	572,443	206,866	1,212,636
Reinsurance assets	-	-	-	154,873	-	154,873
Cash and cash equivalents	6,120,776	-	-	-	-	6,120,776
	10,190,327	37,880,103	415,569	727,316	1,125,716	50,339,031

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35 Management of Insurance and Financial Risk (Continued)

b. Financial risk (continued)

(viii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has operations in the Caribbean and has exposure risks with respect to the US, Belize, Barbados and Euro dollars and the UK pound. The Group's strategy for dealing with foreign exchange risk is to as far as possible offset foreign currency liabilities with assets denominated in the same currency.

Sensitivity analysis – currency risk

The items on the Group's statement of financial position that are significantly impacted by changes in currency rates are investment securities and cash and cash equivalents. The effect of 5% (2014: 5.1%) devaluation in the Jamaican dollar relative to the United States dollar at the statement of financial position date is as follows:

	2015		2014	
	Effect on Profit and Loss	Effect on Equity	Effect on Profit and Loss	Effect on Equity
	$'000	$'000	$'000	$'000
Financial assets	114,638	-	144,744	(2,256)
Cash and cash equivalents	106,329	-	85,151	5,400

The following tables summarize the Group's assets and liabilities at carrying amounts categorized by currency.

	2015						
	The Group						
	JA$	US$	GBP	BD$	BZ$	Other	Total
	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000
Assets							
Property and equipment	2,064,185	-	-	-	-	-	2,064,185
Investment properties	1,032,437	-	-	-	-	-	1,032,437
Intangible assets	72,363	-	-	-	-	-	72,363
Taxation recoverable	1,534,206	198,773	1,918	-	-		1,734,897
Reinsurance assets	140,048	-	-	-	-	-	140,048
Financial assets	42,549,832	2,292,770	35,500	3,578,828	-	-	48,456,930
Loans and receivables	1,543,709	-	15,170	59,235	-	-	1,618,114
Assets held for sale	-	110,963	-	-	-	-	110,963
Cash and cash equivalents	3,009,432	2,126,581	59,424	246,331	7,339	-	5,449,107
Total Assets	51,946,212	4,729,087	112,012	3,884,394	7,339	-	60,679,044
Liabilities							
Insurance contracts	21,501,780	-	8,004	8,957	-	989	21,519,730
Investment contracts	21,869,435	-	-	3,228,519	428	-	25,098,382
Other policy liabilities	1,203,184	-	-	-	-	-	1,203,184
Deferred tax liabilities	595,803	-	-	-	-	-	595,803
Provision for taxation	10,748	-	-	46	-	-	10,794
Other liabilities	1,338,644	-	71	48,636	-	3,623	1,390,974
Total Liabilities	46,519,594	-	8,075	3,286,158	428	4,612	49,818,867
Net Position	5,426,618	4,729,087	103,937	598,236	6,911	(4,612)	10,860,177

Guardian Life Limited

Notes to the Financial Statements

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(Expressed in Jamaican dollars unless otherwise indicated)

35 Management of Insurance and Financial Risk (Continued)

b. Financial risk (continued)

(viii) Currency risk (continued)

	2014						
	The Group						
	JA$	US$	GBP	BD$	BZ$	Other	Total
	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000
Assets							
Property and equipment	2,021,305	-	-	-	-	-	2,021,305
Investment properties	705,081	-	-	-	-	-	705,081
Intangible assets	46,322	-	-	-	-	-	46,322
Taxation recoverable	1,911,792	174,149	1,711	6,027	-	-	2,093,679
Reinsurance assets	154,873	-	-	-	-	-	154,873
Financial assets	39,607,048	2,164,075	34,805	3,361,129	147,715	27,900	45,342,672
Loans and receivables	1,292,893	-	1,742	923	1,188	-	1,296,746
Assets held for sale	-	166,691	-	-	-	-	166,691
Asset held from discontinued operations	-	184,112	-	-	370,921	-	555,033
Cash and cash equivalents	4,337,922	1,310,883	60,045	302,339	109,587	-	6,120,776
Total Assets	50,077,236	3,999,910	98,303	3,670,418	629,411	27,900	58,503,178
Liabilities							
Insurance contracts	22,704,560	-	9,137	8,437	-	-	22,722,134
Investment contracts	20,118,417	-	-	2,943,725	41,855	-	23,103,997
Other policy liabilities	1,260,141	-	8,184	10	-	989	1,269,324
Deferred tax liabilities	401,832	-	-	-	533	-	402,365
Provision for taxation	11,748	-	-	45	-	-	11,793
Other liabilities	778,626	-	-	3,759	13,370	-	795,755
Liabilities related to discontinued operations	-	-	-	-	555,033	-	555,033
Total Liabilities	45,275,324	-	17,321	2,955,976	610,791	989	48,860,401
Net Position	4,801,912	3,999,910	80,982	714,442	18,620	26,911	9,642,777

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(Expressed in Jamaican dollars unless otherwise indicated)

35 Management of Insurance and Financial Risk (Continued)

b. Financial risk (continued)

(viii) Currency risk (continued)

	2015						
	The Company						
	JA$	**US$**	**GBP**	**BD$**	**BZ$**	**Other**	**Total**
	J$'000	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**
Property and equipment	2,064,185	-	-	-	-	-	2,064,185
Investment properties	1,032,437	-	-	-	-	-	1,032,437
Intangible assets	72,363	-	-	-	-	-	72,363
Investment in subsidiary	20	-	-	-	-	-	20
Taxation recoverable	1,534,205	198,774	1,918	-	-		1,734,897
Reinsurance assets	140,048	-	-	-	-	-	140,048
Financial assets	42,549,832	2,292,770	35,500	3,578,828	-	-	48,456,930
Loans and receivables	1,543,709		15,170	59,235	-	-	1,618,114
Asset held for sale	-	99,962	-	-	-	-	99,962
Cash and cash equivalents	3,009,432	2,126,581	59,424	246,331	7,339	-	5,449,107
Total Assets	51,946,231	4,718,087	112,012	3,884,394	7,339	-	60,668,063
Liabilities							
Insurance contracts	21,501,780	-	8,004	8,957	-	989	21,519,730
Investment contracts	21,869,435	-	-	3,228,519	428	-	25,098,382
Other policy liabilities	1,203,184	-	-	-	-	-	1,203,184
Deferred tax liabilities	595,803	-	-	-	-	-	595,803
Provision for taxation	10,746	-	-	46	-	-	10,792
Other liabilities	1,338,644	-	71	48,636	-	3,623	1,390,974
Total Liabilities	46,519,592	-	8,075	3,286,158	428	4,612	49,818,865
Net Position	5,426,639	4,718,087	103,937	598,236	6,911	(4,612)	10,849,198

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35 Management of Insurance and Financial Risk (Continued)

b. Financial risk (continued)

(viii) Currency risk (continued)

	2014						
	The Company						
	JA$	US$	GBP	BD$	BZ$	Other	Total
	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000
Property and equipment	2,021,305	-	-	-	-	-	2,021,305
Investment properties	705,081	-	-	-	-	-	705,081
Intangible assets	46,322	-	-	-	-	-	46,322
Investment in subsidiary	20	-	-	-	-	-	20
Taxation recoverable	1,911,792	174,149	1,711	6,027	-	-	2,093,679
Reinsurance assets	154,873	-	-	-	-	-	154,873
Financial assets	39,607,048	2,164,075	34,805	3,361,129	147,715	27,900	45,342,672
Loans and receivables	1,292,893	-	1,742	923	1,188	-	1,296,746
Asset held for sale	-	99,962					99,962
Asset held from discontinued operations	-	184,112	-	-	370,921	-	555,033
Cash and cash equivalents	4,337,922	1,310,883	60,045	302,339	109,587	-	6,120,776
Total Assets	50,077,256	3,933,181	98,303	3,670,418	629,411	27,900	58,436,469
Liabilities							
Insurance contracts	22,704,560	-	9,137	8,437	-	-	22,722,134
Investment contracts	20,118,417	-	-	2,943,725	41,855	-	23,103,997
Other policy liabilities	1,260,141	-	8,184	10	-	989	1,269,324
Deferred tax liabilities	401,832	-	-	-	533	-	402,365
Provision for taxation	11,748	-	-	45	-	-	11,793
Liabilities related discontinued operations	-	-	-	-	555,033	-	555,033
Other liabilities	778,626	-	-	3,759	13,370	-	795,755
Total Liabilities	45,275,324	-	17,321	2,955,976	610,791	989	48,860,401
Net Position	4,801,932	3,933,181	80,982	714,442	18,620	26,911	9,576,068

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Notes to the Financial Statements
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35 Management of Insurance and Financial Risk (Continued)

b. Financial risk (continued)

(ix) Capital management

For the purpose of the Group's capital management, capital includes issued capital and other equity reserves attributable to the equity holders of the parent. The Group's objectives when managing capital are:

- to comply with the insurance capital requirements required by the regulators of the markets where the Group operates. Management considers the quantitative threshold sufficient to maximize shareholder's returns and to support the capital required to write each of its business in the countries where the Company operates;

- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk

The Group is subject to insurance solvency regulations in Jamaica in which it issues insurance and investment contracts and has embedded in its ALM Framework the necessary tests to ensure continuous and full compliance with such regulations. The Group currently has one branch operation in Barbados. The Belize branch was sold effective the 1 January 2015. However, there are no capital adequacy requirements for life insurance entities beyond the need for assets to cover liabilities at the statement of financial position date.

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 Capital and Surplus Requirement (MCCSR) ratio, determined in accordance with the Insurance Regulations, 2001. The table below compares the MCCSR ratio for the Group as at 31 December 2015 and 2014 with the minimum ratio required by the Insurance Regulations, 2001: The Group has complied with these requirements.

2015		2014	
MCCSR Ratio	**Minimum Ratio Required**	**MCCSR Ratio**	**Minimum Ratio Required**
213%	150%	214%	150%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 2014.

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35 Management of Insurance and Financial Risk (Continued)

c. Fair value 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 (such as a recognised stock exchange) 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 date.

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 classified as fair value through profit or loss are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques;

(ii) The fair value of liquid assets and other assets maturing within one year 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;

(iii) The fair values and the carrying values of policyholders' funds are assumed to be the same based on the results of the actuarial valuation.

The following tables present the fair value of financial instruments for the Group and the Company which are not reflected in the financial statements at their fair value:

	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	$'000	$'000	$'000	$'000
Financial Assets				
Investment Securities -				
Held-to-maturity	21,747,020	22,084,037	21,625,431	21,738,393
Policyholders' loans	214,059	214,059	230,557	230,557

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35 Management of Insurance and Financial Risk (Continued)

c. Fair value of financial instruments (continued)

The following table provides the fair value hierarchy of the Group's assets and liabilities that are not measured at fair value in the statement of financial position but whose fair values are disclosed in the accompanying notes:

	Level 1	Level 2	Level 3	Total Fair Value
	$'000	$'000	$'000	$'000
At 31 December 2015				
Held-to-maturity	-	22,084,037	-	22,084,037
Policyholders' loans	-	-	214,059	214,059
	-	22,084,037	214,059	22,298,096

	Level 1	Level 2	Level 3	Total Fair Value
	$'000	$'000	$'000	$'000
At 31 December 2014				
Held-to-maturity	-	21,738,393	-	21,738,393
Policyholders' loans	-	-	230,557	230,557
	-	21,738,393	230,557	21,968,950

36 Litigation and Contingent Liabilities

The Group is subject to various claims, disputes and legal proceedings, in the normal course of business. Provision is made for such matters when, in the opinion of management and its legal counsel, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

37 Pension Scheme

The Company operates a defined contribution pension scheme for all permanent administrative and sales staff. The scheme commenced on 1 March 2000 and its assets and liabilities are held separately from those of the Company in a trust fund, which is included in the Company's Investment Contracts (Note 19). Employees are required to contribute a minimum of 5% of pensionable salary; the contribution rate by the employer is 5% of pensionable salary. As at 31 December 2015, contributions made totaled $208,011,000 (2014: $115,882,000).